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Mr. Tony Brasil
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Sacramento, CA 95814

Mr. Craig Duehring
Mobile Source Control Division California Air Resources Board 1001 I Street
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Mr. Paul Arneja
Mobile Source Control Division California Air Resources Board 1001 I Street
Sacramento, CA 95814

Dear Sirs:

NAFA, the Fleet Management Association, welcomes the ongoing opportunity to share our views regarding the CARB's Advanced Clean Fleets (ACF) rulemaking. NAFA has more than 3,000 individual fleet manager members from corporations, universities, government agencies (federal, state, and local), utilities, and other entities that use vehicles in their operations. NAFA members control more than 4.6 million vehicles and manage assets in excess of \$92 billion. Collectively, these vehicles travel more than 84-billion miles each year.

NAFA members provide the critical and essential services Americans rely on day after day. Their work ensures that fire, police and ambulances are ready to respond, that children travel safely to and from school, that the trash is picked up, that utility repair crews are on the road when power goes out, that store shelves are stocked and that package you are waiting for arrives at your door. The work of NAFA members touches every Californian every day in every way. NAFA is also supported by more than 1,000 associate members who represent companies that support fleet managers in their profession, including vehicle manufacturers, leasing companies, aftermarket equipment suppliers, telematics firms, service providers, and others.

NAFA has 299 California based members in the public and private sectors, and many NAFA members headquartered outside of California operate fleets within the state that will be subject to these regulations.

NAFA supports the Governor's vision to accelerate the transition to electric vehicles. We believe that this transition will be most successful if the implementing regulations take account of the

critical factors facing entities transitioning private and public fleets toward full electrification. These factors include the availability and expenses related to recharging infrastructure, including the timeliness of the necessary utility substation upgrades, the availability and cost of acquiring EVs, and the availability of validated vehicles capable of providing the required fleet services. We believe that these factors are important elements of achieving one of the primary objectives for the rule CARB laid out early in the process; ensuring requirements, such as ZEV deployment schedules and related infrastructure build-out, are technologically feasible, cost-effective, and support market conditions.

We commend CARB staff in their efforts to ensure fleet managers have been able to voice their concerns over the course of this regulations' development, and thank CARB staff for the opportunity to contribute meaningful changes to the proposed regulation. While we appreciate the opportunities NAFA has had to engage with CARB staff, we believe that in its current form the ACF proposal fails to adequately address some of the challenges we have highlighted and fails to provide for reasonable pathways for fleet compliance with the requirements. We ask that the final rule more effectively address these areas of concern prior to becoming enforceable. We offer specific suggestions at the end of these comments.

Infrastructure Availability

The availability of sufficient infrastructure to support the fleet electrification required by the regulation is a significant barrier to compliance and is a main area of concern. In order to install and operate compliant charging infrastructure fleets must have access to sufficient power in a timely manner, for which they are dependent upon their utilities. Fleet managers report that their local utility providers either do not have sufficient grid capacity to provide adequate power to their main depot locations without the installation of new power substations, for which there is not adequate advance planning, or it is not feasible to construct new substations at their locations due to logistical constraints (e.g., available footprint for building). Some also report that their new power needs will be superseded by other ongoing infrastructure electrification projects in their locales such that their electric power lines are already at or beyond capacity. At the root of these is the lack of coordinated knowledge on the part of utilities as to where upgrades will be required to support fleet electrification needs, such that there is insufficient advanced planning and acquisition to ensure timely deployment of the electrical upgrades that will be required to allow fleets to comply with the regulation. Rather, it appears that it will be left to fleets and utilities to engage on an ad-hoc basis regarding infrastructure needs.

While CARB has gathered extensive data regarding these infrastructure needs through the ACT One Time Reporting, that information has only been shared publicly as an aggregated dataset

at the level of air district areas rather than at the needed level of local utility jurisdictions. CARB has indicated that privacy concerns limit more detailed information sharing. However, without this information utility providers are waiting for fleets to approach them and request individual projects without any sort of coordinated and informed long term targeted infrastructure development.

The lack of sufficient infrastructure will directly impact a fleets' ability to meet this proposed regulations' compliance timelines. Utilities are unable to accommodate fleet requests for installation of depot charging at scale. The current situation places fleet managers in the challenging situation of having a regulatory compliance obligation but without the means to comply, given their dependence on utility actions.

NAFA requests that CARB provide data collected from the ACT One Time Reporting requirement to local and regional utility providers and help to coordinate with the California Energy Commission to effectively plan the needed infrastructure improvements to support electrical grid infrastructure at substations and power channels where fleets need them the most.

Commercial Availability

CARB staff have proposed a commercially available determination method in this regulation that evaluates vehicles on the relatively limited factors of GVWR, range, and body type, which fail to take adequate account of the needed vehicle performance characteristics. These factors do not ensure that vehicles identified as commercially available can perform the same tasks as their ICE counterparts that are currently in service and do not include an evaluation of incremental cost over ICE counterparts to ensure cost effectiveness. It is also important that the factors ensure that the vehicle types deemed commercially available are sufficiently available, e.g., not limited to single manufacturer or suppliers, to ensure adequate volume and competitive pricing for such vehicles.

Absent these factors being included in the determination of commercial availability fleet managers could be required to purchase more than one EV to do the job that one ICE vehicle is performing in order to get the needed performance characteristics or could result in short supplies and price premiums unfairly burdening agencies seeking compliance with this regulation. This could particularly result in compliance challenges for public agencies that are required to determine that competitive prices were achieved in fleet vehicle purchases.

In summary, the definitions of commercial vehicle availability need to be redefined, and factors for evaluation need to include;

- a measure of cost effectiveness of EVs as compared to their ICE counterparts,
- minimum duty cycle requirements reflecting the services being provided by the existing fleet vehicle being replaced,
- an independent determination that the relevant EV is able to meet the relevant functionality requirements,
- a determination that EVs meeting the relevant functionality are available from more than one manufacturer and supplier.

We request that these factors be developed in consultation with California fleet managers to provide the relevant expertise to ensure practicability in the requirements.

Vehicle Availability and Costs Impacts

Fleet managers continue to face historically low vehicle availability, extremely long vehicle delivery times, and significant cost inflation that have materially impacted the costs associated with the purchase of new vehicles and electric vehicle charging hardware. The Consumer Price Index has increased 7.1% Year-over-Year (YoY), and at a rate of 7.2% YoY for vehicles.¹ Many economists project that high inflation will persist for another year or two.

These cost impacts have not been adequately included in the proposed regulations fiscal impact analysis reports. Given the potentially significant cost burden on private and public sector fleets, and the potential for high costs to limit fleets' ability to comply with the regulation, we believe a more robust financial analysis is needed.

The CARB report on total cost of vehicle ownership has provided a table of 11 vehicle examples across relatively limited function types. The report is also not indicative of the makeup of class 2b-8 vehicles operating in California. Vehicle cost estimates are "based on 2021 information on averages of prices taken from manufacturers' websites and online truck marketplaces such as TruckPaper and Commercial Truck Trader".² CARB staff, using these base costs, have identified that "The cost of battery storage is the largest contributing factor associated with the price of BEVs" but are "assuming Class 2b-3 vehicles will follow light-duty battery prices with a 2-year delay" and "is using Bloomberg price projections as the basis for these battery price projections."

NAFA would like to emphasize that CARB staff have not provided a reference to the Bloomberg price projection, such that it cannot be reviewed or validated for accuracy. CARB staff have also

¹ <https://www.bls.gov/news.release/cpi.nr0.htm>

² https://ww2.arb.ca.gov/sites/default/files/2021-08/210909costdoc_ADA.pdf

not included in their analysis the methodology or reference used to calculate the forecasted future costs of Class 4-8 trucks. We are troubled about the lack of transparency in references and the inability to verify the accuracy of CARB's analysis. We are also concerned that given the sharp run up in vehicle prices since the data on which CARB is relying upon was published (reflecting 7% inflation in both 2021 and 2022) that it is likely to significantly underestimate actual fleet compliance costs.

During the February 13th workshop meeting NAFA representatives inquired as to whether CARB staff would be updating the financial cost impacts of this proposed regulation. CARB staff indicated that cost impacts were being updated to include additional incentives and grant funds recently announced by the federal government. At the same time, staff also said that cost estimates for vehicle and battery costs would not be updated. Given the current conditions of the vehicle market and record-breaking inflation, it is difficult for NAFA and its members to understand how costs are being presented to the public and the CARB members as decreasing. When it is clear that record inflation and severe supply chain impacts have pushed new ICE and battery electric vehicle prices higher, so why would you not issue updated cost analysis revisions here.

An appropriately revised and updated SRIA document needs to be provided for additional Department of Finance (DOF) Review that fully reflects the actual current upfront cost impacts to fleets and the annual costs over course of the 25-year regulatory plan so that businesses and government entities can properly plan and budget for compliance.

Timeline to Compliance Revision

Reflecting the compliance challenges, we have laid out above, public and high priority fleets have been for two years encouraging the adoption of manageable compliance and enforcement timeframes in the regulation to allow fleets to manage the transition effectively. The regulation's timeline of compliance and enforcement has remained unchanged. We continue to believe that these timelines will create difficult and possibly insurmountable barriers to compliance.

Fleet managers budget for replacement vehicles a year or more in advance of their requests for the necessary capital funding. These budgets and plans for capital infrastructure costs require additional time for organizations to approve and implement to meet stakeholder and taxpayer obligations.

NAFA staff, in discussion with a variety of California fleet managers, have identified that a 3-year period from final approval by the Office of Legal Review should allow for a sufficient

planning window such that funding for both public and high priority fleets can be allocated effectively and allow for collaboration with local utilities in siting, identifying, funding, and permitting major infrastructure projects needed to support compliance with this regulation.

Exemption Revisions

As we have detailed above, the ability of fleets to comply with the regulation is in large measure based on the actions of the utilities, which are beyond our control. Accordingly, we believe that compliance exemptions in the regulation need to be workable in instances where fleets simply cannot comply. We suggest specific changes below. Fleet compliance in this regulation is directly correlated with fleets' ability to plan for, procure, and install sufficient infrastructure to support ZEV deployments. The ability for fleets to plan for and procure sufficient infrastructure is first and foremost dependent on the availability of electrical power as provided by regional utilities.

Public fleet managers operate a variety of emergency support vehicles that are directly supporting public safety and vital health infrastructure in emergency responses. These emergency responses are not dissimilar in scope to declared emergencies, however, declared emergencies are formal extended duration events requiring a multitude of support vehicles with a greater collective effort. These daily/weekly/monthly emergency response calls are rarely identified by regional or state agencies as a "declared emergency" such as are recognized by the proposed regulation. Whether a public works department is responding to damaged roadways, sewer spills, or threats to potable water supplies, these emergency support vehicles are as vital in supporting health and public safety as the fire truck or police car that were first on scene.

CARB staff have included a definition and provision for waste and wastewater fleets to use their own biomethane produced in their operations to power vehicles and exempt them from the ZEV requirement milestone and model year requirements, however these definitions are new and not encompassing of actual organization structures. CARB is lacking the expertise in how waste and wastewater operations take place and who has governance over those operations. By poorly defining requirements of either waste and wastewater operations to adhere to the model year or milestone with no option for purchase requirements as defined in the State and Local Government Agency regulation, CARB is mandating waste and wastewater fleets operated by public agencies to adhere to two different regulations which requires additional reporting and planning strategies based on the supportive function of each vehicle. This is not in the spirit of the regulation's development and leaves us to wonder why have any separation in regulatory requirements between fleets at all.

Resolution – We ask that clarification of this item be provided to establish to which pathway waste and wastewater fleets (regardless of ownership) would be subject. We ask that waste and wastewater fleet vehicles being operated by public agencies are able to choose either the percentage purchase requirement, or the federal and high priority compliance pathways. Without these options, fleet owners will be subject to creating multiple infrastructure development plans further complicating the ability of these public agencies to comply with the regulation as written.

To support these critical public services and minimize any risk to public health and safety associated with a lack of vehicle availability/function, NAFA proposes a revision to the regulation allowing for a limited quantity of emergency support vehicles to be identified by a regulated entity as necessary for responding to a public emergency. Those vehicles would be exempt from the ZEV purchase requirement. Some examples for emergency support vehicle responses in this context include but are not limited to Sanitary Sewer Overflow (SSO) events defined by the Water Resources Control Board, or threats to public health systems that create dangerous conditions of public property as defined in California Government Code 835.

With regard to the streamlined ZEV purchase exemption, purchase costs for ZEVs are still a major concern, and although funding from programs like Energize and the Inflation Reduction Act have made progress in supporting our fleet conversions, the cost disparity for Zero Emission Vehicles over their ICE counterparts are still resulting in an unacceptable immediate cost impact to fleet owners. These costs are especially significant in the highest emission classes 3 through 8.

Resolution – We ask that the streamlined ZEV purchase exemption include ZEV vehicles with a cost disparity of greater than 50% over their ICE counterparts. This would ensure that fleet owners are not being forced to purchase vehicles that are grossly overpriced with little to no return on investment.

EXAMPLE: Medium & Heavy-Duty vehicles.

Class 7 Street Sweeper with 210KW Battery - 26,000 GVWR = \$659,820 Electric (Global M4EV)

Class 7 Street Sweeper ICE = \$320,000 (Elgin Regen-X)

Additionally, with regard to the fleet specific ZEV purchase exemption within the streamlined exemption, we feel that the statement “good engineering judgement of the Executive Officer” should be removed and CARB staff must include relevant work truck attributes for consideration of exemption beyond simply vehicle make, model, weight class, and configuration. We ask that staff include vehicle parameters such as payload capacity, operating

hours per 10-hour shift, equipment cycles per 10-hour shift, operating weight by axle and maximum daily range at 50% load.

These considerations will ensure vehicles being considered for exemption are being evaluated on the real-world functional needs of that vehicle, over a simple definition of vehicle by weight and configuration type alone.

15-Day Notice Recommended Changes for Comment

1. A distance requirement from a manufacturer or dealership to the fleet needs to be included. If the only dealership is in Southern California, then the costs for transportation to and from the dealership for warranty work, service, or repairs will be significant. It has been estimated that the cost could be as high as \$2,500+ from between the Bay Area back and forth to Los Angeles per incident.
2. The All-Electric Range (AER) chart needs to be included in the regulation and only changed through a regulation amendment process. By CARB staff referring to the "California Greenhouse Gas Exhaust Emission Standards and Test Procedures for 2014 and Subsequent Model Heavy-Duty Vehicles" it creates a moving target for manufacturers and fleets to comply with.
3. A definition of a "hired fleet" needs to be added to the regulation to specify if the language applies to construction companies, sub-contractors, and all vendors that use vehicles over 8,500lbs GVWR with which a government agency contracts. This is an enormous administrative burden and workload to collect, track, and manage compliance for CARB. Effectively CARB is shifting its regulatory compliance enforcement to fleets without providing resources to perform these duties.
4. Government fleets need a one-year extension to order a replacement ZEV when they must cancel a ZEV order due to a variety of reasons beyond their control. Examples include when a manufacturer substantially changes the specification of an already ordered ZEV that no longer meets the order specifications, options are discontinued, the vehicle will be delivered without a specification with an undefined amount of time that it will take the manufacturer to install the specifications at a later date, etc.
5. Not all manufacturers provide a written cancellation notice to customers. The inability to acquire a cancellation notice needs to be included as a situation where exemption

and extension requests can be submitted. There is no incentive for manufacturers or dealerships to supply written cancellation notices to customers. An alternative is to add regulatory language requiring manufacturers or dealerships to provide a cancellation notice within 10 days of order cancellation.

6. The impact of the regulatory language of "after the vehicle reaches 13 years after its model year" is unclear and needs to be reworded or an example included to clearly communicate the intent of this language.
7. The exemptions and extensions submittal information and data requirements represents a huge administrative burden and workload on fleets. Effectively CARB is shifting its administrative burden to fleets without providing resources to perform these duties.
8. Most utility providers do not provide site infrastructure capacity evaluations until a work request is submitted for work to be conducted at the site. The local and regional electric grid capacity changes depending on the capacity used by other businesses. Available capacity is on a first come first serve basis. Any estimate without a work contract in place with a utility provider could change at any time. Utility providers do not know the extent of electrical grid capacity needs just for ACF compliance because the ACT fleet data collected has not been shared with them.
9. The first compliance date is 1/1/2024. The ZEV Purchase Exemption List needs to be available on that date and not up to a year later. The lack of a list on 1/1/2024 creates an enormous administrative workload on fleets to submit exemption requests to CARB and an enormous administrative workload on CARB staff to respond within 45 days to each request. The list needs to be in place by 1/1/2024. Ordering vehicles does not occur year-round and the lack of a list on 1/1/2024 will cause fleets to delay ordering vehicles for up to a year.

The frequency of the list being updated needs to be included in the regulatory language. Each update needs to include a date and time stamp to ensure fleets are using the latest list in their exemption requests. The date and time stamp will ensure fleets do not have to cancel a purchase agreement after a new list is released.

The list is not all encompassing and will create an administrative burden on fleets to collect and submit data repeatedly because a common specific vehicle or body type is not included on the list.

10. The ZEV Purchase Exemption Application should include auxiliary equipment as well and the duty cycle and power needs of the equipment. For some vehicle types, they travel a short distance, but operate all day long off the vehicle's engine. These duty cycles are not currently supported by manufacturers and are not forecast to be available until 2026 at the earliest.
11. Lacking regulatory compliance requirements, manufacturers will not supply statements that a vehicle configuration is not available unless required by regulations. There is no incentive for manufacturers or dealerships to provide a statement as it is an administrative workload burden for them. Language requiring manufactures to supply the information in a dated and time stamped format is necessary.
12. CARB staff determining what bodies fleets can use will void all long-term contracts and specifications that fleets use to meet operational needs. The bodies placed on truck chassis are highly specialized and take years to refine. CARB staff should not be determining if a body will meet a fleet's needs. They lack staff that is qualified to make these types of decisions for the entire industry.
13. The ZEVs or NZEVs model year requirement of 18 months or less needs to be reduced to 12 months or less. Manufacturer business practices do not guarantee when a model will be available and are consistently marketed as being sooner than they will actually be available. See Nikola, Rivian, Lordstown, Telsa, and Bollinger for a few examples where marketing hype has not matched actual availability dates with some by years and not months.
14. There is no appeal process language in the regulation. An appeal process in the language is necessary when there is a disagreement of facts. The appeal process should be limited to 45 calendar days for CARB staff to respond. If CARB staff do not respond within 45 calendar days, then the extension or exemption should be deemed approved.
15. The current 45 calendar day review by the CARB Executive Officer regulatory language needs to be applied to extension requests, not just exemption requests. If CARB staff do



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not respond within 45 calendar days, then the exemption or extension request should be deemed approved.

Thank you for providing NAFA with the opportunity to comment on the proposed regulatory language. We appreciate your consideration of the impact of the proposed requirements of the proposed Advanced Clean Fleets regulation on fleet operations in California.

Sincerely,

A handwritten signature in black ink, reading "Bill Schankel". The signature is written in a cursive, flowing style. The first name "Bill" is written in a larger, more prominent script, and the last name "Schankel" follows in a similar but slightly smaller script.

Bill Schankel, CAE
CEO
NAFA Fleet Management Association

