PENSKE

November 10, 2017

Brett Rude
Washington Department of Ecology
300 Desmond Dr. SE
Lacey, WA 98503

Re: Penske Comments on VW Funding Planning

Dear Mr. Rude:

Penske would like to thank the Washington Department of Ecology for the opportunity to provide comments on the Volkswagen settlement funding plan for the state. The state of Washington has consistently provided an opportunity for stakeholder engagement and feedback to shape and refine programs to ensure they are meeting their intended purposes—a process we strongly respect and admire.

Penske remains committed to reducing vehicular emissions and accelerating deployment of cleaner vehicle technology and can be a natural partner with the state in achieving some of its goals to reduce emissions from transportation. Penske's average customer size is between 8 and 12 trucks and is able to provide comprehensive vehicle services to companies that do not have the financial capital and necessary experience to purchase and maintain alternative fueled vehicles. Leasing with Penske provides the following benefits to fleets:

- No upfront purchase costs and concerns about vehicle residual/resale
- No costs to modify maintenance facilities
- No maintenance training costs and investment in special tools
- No fueling anxiety as Penske will help with vehicle routing and fueling contracts
- 24/7 Roadside assistance & nationwide service network
- Cost savings from Penske's purchasing power for fuels and vehicles that can be passed onto customers

In order to provide alternative fuel vehicles at competitive rates with their diesel and gasoline counterparts, Penske leverages incentives, such as grant programs and tax credits. Since Penske accesses these programs throughout the U.S., we have come to understand the programs that work best to incentivize clean vehicle deployment for small, mid-sized and large fleets alike. We are providing this insight to you so that you may consider it as you work to create funding programs from the VW settlement but also in your efforts to create future incentive programs to deploy cleaner and more advanced vehicle technology within the state. Specifically, we would recommend the following:

1. **Treat vehicle leasing like any other financing mechanism and allow fleets the opportunity to have equal access to program funding regardless of the financing mechanism.** Programs can be created in ways that allow you to achieve your objectives in terms of the certain number of years in operation; requirements to hold onto the vehicle for a certain length of time; and targets on mileage/area operation. This can all be done with leasing—just like it can be done with vehicle loans directly by the fleet. We would encourage that you develop programs that do

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not differentiate between the financing mechanisms used and instead focus on the specific objectives you are trying to achieve, regardless of the financing mechanism utilized to get there.

2. **Create a priority list** versus a wait list that will allow for you to rank projects that achieve better emissions reductions through replacement of vehicle miles travelled of traditional diesel or gasoline.
3. If you do create a waiting list mechanism for an ongoing program, **provide waiting list and application funding transparency.** Funds for clean vehicle programs frequently become oversubscribed almost immediately upon program opening for popular funding programs. A simple email list that lets people know weeks before the date it will open will allow for transparency in the program.
4. **Ability to move between weight classes and increase number of vehicles** once awarded. From the period of application to award, things change. Maintaining programmatic flexibility while ensuring that projects are still held to their allocated dollar amount and program effectiveness (e.g., meeting emissions requirements) is key.
5. **Simple contracting mechanisms** are key to ensure faster deployment. We have seen that purchase order formats with terms and conditions in a 1-2 page format on the back of a purchase order, such as that in Colorado, work really well and are easy to understand and follow.
6. **Simple reporting templates** are key to encourage and receive timely reporting. We recommend 2-4 times a year and have it specific to fuel use, mileage and listing of any project challenges encountered.
7. **Quick payment periods** are essential, especially for smaller fleets, so they do not have to carry expenses for too long without reimbursement.
8. **Scrappage alternatives** are very helpful as frequently companies will see this as a barrier to entry. Many fleets know that their 10 year old truck, for example, carries more value than what can be achieved when just sending it to a dismantler and collecting scrap value. Yet we recognize the state might not want these vehicles to reenter the state. Allow for flexibility here to dispose of the vehicles in ways other than outright scrappage—perhaps an export option like that allowed in Texas or even the opportunity to sell the vehicle to a fleet who has much older units in operation as a 10 year diesel vehicle would be cleaner than a 20 or 30 year old unit that is in operation. Another key opportunity area is to provide a way for an entity like Penske to apply for the funding but for the end user (the actual fleet) to turn in one of their vehicles.

We are eager to work with you and your team to advance cleaner vehicle technology and to reduce emissions in the state. When fleets choose Penske for their clean vehicle needs, it is analogous to hiring an experienced in-house alternative fuel team, and the fleets we work with in your state are eager to replace some of their older vehicles with cleaner and more fuel efficient, less polluting options.

Sincerely,

Dean Stapleton, Senior Manager of Alternative Fuels
Penske Truck Leasing