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November 8, 2023

James C. Kenney, Cabinet Secretary
New Mexico Environment Department
Harold Runnels Building
1190 St. Francis Dr.
Suite N4050
Santa Fe, NM 87505

**RE: Comments on New Mexico's Adoption of the Advanced Clean Trucks (ACT) Regulation**

Dear James Kenney:

Thank you for the opportunity to provide comments on New Mexico Environment Department's (NMED) draft language for the proposed adoption of the Advanced Clean Trucks (ACT) rule. Penske Truck Leasing Co., L.P. ("Penske") is a nationwide leader in low-emission transportation with a company-wide commitment to a comprehensive transition to zero emission vehicles (ZEVs). We share NMED's greenhouse gas reduction goals and federal air quality objectives; therefore, we are excited to offer our expertise and insights into this draft language, based on our experience navigating similar rulings in California, Oregon, New York, New Jersey, and Washington, as well as our proven track record in collaborating on innovative zero emissions projects.

Fundamentally, Penske is committed to zero emission transportation technology, a commitment reflected by our significant investments over the last five years in numerous medium- and heavy-duty electrification demonstration and deployment projects. As a rental and leasing company, Penske plays a unique role in accelerating the greater adoption of zero-emission vehicles by enabling fleets to test, iterate, and ultimately adopt zero-emissions vehicles. Penske understands the necessity of collaboration for success, having worked closely with agencies such as the California Air Resources Board (CARB), national utilities, major vehicle manufacturers, charging infrastructure manufacturers and developers, battery providers, and customers in the deployment and operation of new battery-electric transportation services across the entire supply chain.

We believe there are very few, if any, large transportation providers doing more than Penske to advance zero emission and infrastructure technology. Penske currently operates one of the largest commercial fleets of medium- and heavy-duty ZEVs in the United States; our fleet includes battery electric powered trucks from multiple OEMs, including Freightliner, Volvo, Navistar, Ford, Roush, Kalmar, Orange EV, and many others. These ZEVs operate on a nationally growing network of medium- and heavy-duty EV charging infrastructure. In addition to our current sites, we are actively working to equip most of our owned sites throughout the country with charging equipment that will allow us to comprehensively advance our shared zero-emission goals.

Penske's ever-expanding familiarity with ZEVs, coupled with our comprehensive and incomparable understanding of charging infrastructure and real-world commercial fleet applications, uniquely positions us to be a resource for NMED. Our front-line experience on the availability, use, and application of ZEVs allows us to serve as a partner in NMED's efforts to draft, adopt and implement a successful ACT regulation, as well as any future zero-emission fleet regulations.

On behalf of the entire Penske team, we want to thank NMED and your staff for the time to hear our comments, insights, and concerns while advancing effective regulations that both address real-world concerns while also achieving critical zero-emissions progress.

Recently, the State of New Mexico released draft language for the ACT Program, proposing the incorporation of CARB's ACT ruling under new 20.2.91 NMAC and including new standards for medium- and heavy-duty vehicles. Based on our experiences navigating similar rulings for the states of California, Oregon, New York, New Jersey, and Washington, Penske offers the following comments for consideration as your agencies implement this new requirement.

***Future Zero-Emission Fleet Regulations***

The ACT regulation is a first step in enabling a transition to zero-emissions across the commercial fleet sector. As the State of New Mexico examines the best pathways to zero-emissions for its industries, Penske appreciates the opportunity to share its experience to help the state more effectively meet its goals and objectives. The following information provides background on the short-term rental market and zero-emission economics that affect near-term opportunities for electrification.

*Short Term Rental Vehicles*

Short-term rental and leasing companies play distinct and critical roles in the trucking, logistics, and freight movement industries throughout New Mexico and the U.S. Thus, ensuring short-term rental and leasing companies can effectively navigate the zero-emissions transition is crucial for the broader successful implementation of zero-emissions regulations; of particular importance is understanding the realities of rental fleet owner control.

Truck rental and leasing offers important pathways for the mass commercialization and adoption of new truck technologies. Truck rental and leasing offers crucial "try before you buy" strategies, provision of unfamiliar maintenance services, delivery of unconventional fueling or charging capabilities, and arrangement of much needed financial flexibility. Penske's customers have depended and will continue to depend on our well- established expertise to try, assess, and ultimately minimize their risk as they move to adopt zero-emission technology.

While truck rental and leasing offer important strategies for fostering and accelerating the adoption of new truck technologies, such as ZEV, the sector also has unique needs. For example, short-term rental vehicle owners have a unique inability to control actual utilization of their vehicles into and throughout the state of New Mexico. These interstate operations entries are not coordinated or managed as part of a fleet utilization strategy but instead end up in various states due to temporary customer decisions and not owner decisions.

Furthermore, rental trucks are fundamentally temporary transportation assets that are utilized by multiple customers throughout the year. While flexible fleet access serves a critical economic role for small businesses that do not specialize in transportation--enabling businesses to add extra capacity during peak seasons, manage growth in an uncertain market, and replace trucks at a moment's notice—the very attributes that offer customers incredible benefits are often at odds with regulatory requirements. For instance, the rental vehicles may be owned by a single entity, i.e. a rental or leasing company, but the vehicles have no single operator, no designated single routes, and no single home facility. Therefore, the rental vehicles' operational profile does not meet the basic standards for near-term electrification.

In summary, as the state of New Mexico determines how to account for short-term rentals in its zero-emission transition, Penske hopes this background provides a better understanding the of realities and limitations of operational control for rental owners will impact how leased and rental vehicles are reported, registered, and regulated in the transition to zero-emissions.

*Infrastructure & Electricity Generation Challenges*

Penske's considerable experience and expertise with ZEVs is important for our thousands of customers as they begin to transition their fleets to ZEVs. One key part of our expertise has been the development of large-scale charging infrastructure to support our short-term rental and leasing customers' ZEV needs. As we have learned, the success of each ZEV project starts not with the vehicles, but the electricity and infrastructure required to charge those vehicles. This is especially complex when factoring in the nuances of a transient rental business where vehicles are constantly rented and returned with little predictability. As such, and because of range and weight limitations of commercial motor

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vehicles, many of our short-term rental ZEVs are used by larger commercial fleets performing localized testing and experimentation to determine what business and operational changes are required in order to support ZEV adoption, and not by traditional short-term rental customers. At this stage of development, ZEV viability is highly specific to only certain business models or aspects of many organizations. Without widespread retail charging access, business segments like short-term rentals, which serve varied and variable customers, have inherent infrastructure challenges for the ZEV transition.

This is exacerbated when looking at the unique challenges many of our larger customers face when factoring in energy infrastructure and associated required power. We hope that any future rules proposed by New Mexico will also include concurrent requirements for utility providers in the state. We recognize that most utilities have minimal experience providing transportation fuel for the private sector and it will take most utilities time to modify their programs and infrastructure support to meet the needs of the transportation industry. While there may be power available for the short-term electrification of some commercial vehicles, the success of any OEM zero-emission sales rule or fleet deployment rule depends on longer-term power availability. For successful and enthusiastic adoption of ZEV regulations, fleets must be assured that utilities can provide adequate charging power, on timelines that align with OEM zero-emission sales and/or fleet deployment regulations.

Finally, it is important to note that there continues to be interoperability challenges associated with commercial electric trucks and infrastructure. We strongly recommend that New Mexico considers infrastructure standards and rollout programs to ensure repeatable and reliable fueling.

*Counting Compliance for Vehicles Funded by Grants*

Clean vehicles still carry very significant economic risk for fleets as the technology has not yet reached a stage of maturity and reliability. Penske has been fortunate to work with funding agencies across the U.S. to secure funding to support our early demonstrations and vehicle deployments. Grants have been essential in helping reduce upfront capital risk for us and our customers who have had opportunities to deploy these units through our partnership.

Despite this success, grant funding is becoming harder and harder for fleets to access at a time when they need it more than ever. The cost of battery electric yard trucks, for example, remains 2-3x the cost of the diesel version—for the vehicle alone. This does not even consider the cost and complexity of adding charging infrastructure. The ACT regulation pushes manufacturers to bring more ZEV trucks into market, which will hopefully reduce this cost differential sometime soon. However, presently the significant cost differential remains. Thus, in the interim, we hope the state of New Mexico investigates ways in which to provide competitive funding opportunities to fleets who want to comply with ZEV standards but do not have the capital to do so at pace commensurate with emission reduction goal needs.

Similarly, Penske's average customer are small fleets—companies with less than a dozen trucks—and the increasingly stringent grant funding requirements often prohibit leasing, preventing many of our customers from accessing ZEV trucks. We all collectively—the vehicle manufacturers and charging industry as well as regulatory bodies—need to understand that ZE technologies are very nascent and need support, testing, and early deployments. Together, the transportation sector and regulatory bodies must find ways to reduce barriers for fleets to adopt ZE technologies and not create new ones.

While we recognize that state agencies do not like to "pay for compliance" as a common practice, we recommend that New Mexico consider parting with precedent for the monumental shift asked of fleets as they transition to zero-emissions. Allowing time and support for vehicles acquired with public funds to be counted towards compliance in the early years of a regulation allows fleets to better test, iterate, and adopt zero-emissions at scale. In doing so, New Mexico will be a leader in public/private investments in ZEV, ensuring the continued vitality of the state's commerce, environment, and communities.

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***Conclusion***

Penske is appreciative of the opportunity to comment on NMED's proposed adoption of new truck emission control regulations. The state's goals and objectives deeply resonate and align with our own and we hope that we can be a source of value as these regulations are adopted. Penske has and will continue to partner with state regulators, local agencies, and fleets throughout the U.S. to implement zero-emission truck projects. We believe our experience will support New Mexico's goals by enabling more rapid rollouts of ZEVs via lower-risk leasing, maintenance, outsourcing, and charging efforts. These market- leading efforts will also help define and refine secondary market pathways, residual value calculations, and long- term maintenance planning. We will follow up with staff directly to share our experiences around technology, infrastructure, operations, and reporting to help support an efficient and effective transition to ZEVs in New Mexico. Thank you for this opportunity to contribute to the development of a successful ACT and future zero-emission rules. We look forward to engaging with New Mexico's Environment Department on the issues raised herein.

Sincerely,

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