

## DOCKETED

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*Comment Received From: JoAnne Golden*

*Submitted On: 11/10/2016*

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## **Penske Truck Leasing Comments**

*Additional submitted attachment is included below.*



November 10, 2016

Commissioner Janea A. Scott  
California Energy Commission  
Fuels & Transportation Division  
1516 9th St. MS-27  
Sacramento, CA 95814-5512  
Email: [AB118@energy.ca.gov](mailto:AB118@energy.ca.gov)

**RE: Penske Comments to the ARFVTP 2017-2018 Investment Plan**

Dear Commissioner Scott:

Penske Truck Leasing (Penske) would like to thank the California Energy Commission (Energy Commission) for the opportunity to offer comments on the proposed 2017-2018 Alternative Fuels and Renewable Vehicle Technology Program Investment Plan. Penske appreciates the thoughtful process of stakeholder engagement and feedback that clearly informed the revised program implementation approach. In particular, we believe that the focus on the end user applications, UCI administration, increased transparency, and ongoing stakeholder dialogue are incredibly positive steps that will help ensure a more secure energy future for California.

Alternative fuels are one of Penske's core customer solutions and growth market areas, and we have helped many fleets assess, demonstrate, and transition into large-scale deployments of natural gas and other alternative fuel vehicle operations. Penske has more than 25 years of experience with natural gas vehicles in various applications, and has logged over 75 million miles to date. Leasing companies are a critical component in the successful market growth of alternative fuel technologies, enabling companies to demonstrate and gain familiarity with advanced vehicle options. As such, Penske offers the following comments about the exclusion of end user leases from the program guidelines.

The NGVIP has been very thoughtfully designed with equity of access as a core principle: the 20 vehicle limit (increased to 30 vehicles) and streamlined application are important tools in ensuring that smaller fleets can secure incentive funding. While Penske appreciates the opportunity to reserve up to 20 (30) incentives under the NGVIP as a purchaser and end user, we believe that excluding the use of leases for end user fleet applicants effectively eliminates the opportunity for dozens of willing fleets to participate in the NGVIP program. By treating leasing companies as an end user under the NGVIP instead of as a financial mechanism that is central to end user fleet procurement and operations, Penske's numerous customers would only be able to access some portion of the 20 (30) Penske NGVIP vehicles.

Leases are at their core a simple financial tool, the same as a bank financing approach to vehicle acquisitions. Full Service Leases, Penske's core product, offer the added benefit of giving fleets a low-risk, 24/7 support structure in which to test alternative fuels. Whether the lienholder is Penske or a Bank makes little difference to the fleet, but it seems to make a significant difference to the Energy Commission. In addition, there has been a significant trend in recent years for companies to transition their fleet operations to lease agreements that include full service maintenance. Penske alone has three customers that have already expressed interest in NGVIP applications, and we anticipate others will follow as they hear about the program. If the program rules remain as proposed, Penske will be forced into the position of choosing winners and losers from those interested customers, as well as managing the customer relations fallout as a result – a challenge expressed by OEMs in previous rounds of funding.

Penske is confident that allowing end users to utilize leases in lieu of purchases in the new round of funding would enable the Energy Commission to achieve and possibly surpass its underlying program goal of NGV adoption. The



NGVIP program only obligates end users to three years of operations, only ensuring California critical energy diversity benefits for three years. Our leases can guarantee the same three year project life, with all the same energy and emission reductions of a vehicle purchase; however it should be noted that our typical lease agreements are *twice* the required project period, indicating that California will achieve long-term benefits beyond what the NGVIP can guarantee. In addition, Penske and other leasing companies are a critical component of the secondary market, which is only now emerging for NGVs. Saturating this secondary market with pre-owned AFVs is crucial to expanding AFV adoption among small fleets that often buy used vehicles because they are not able to afford brand new NGV technology. Penske has an extensive resale business in California, and we anticipate that California would see these ongoing long-term benefits in the secondary market from leasing company participation.

In the previous rounds of NGVIP funding, leases were recognized as an important aspect of the Energy Commission's goal to provide all fleets with the opportunity to deploy NGVs. The specific application of a 20 (30) vehicle limit for leasing companies severely undercuts this goal, as well as the core NGVIP goal of cost-effective technology deployment. End users should be the applicants, regardless of whether fleets choose to buy, finance, capital lease, or full service lease or operate lease vehicles; all users should have equal access to program funding. We are appreciative of the collaborative stakeholder engagement process that has driven so many improvements to the new NGVIP program, and hope that our comments will be of assistance to the Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Krasney".

Matt Krasney  
Director – Alternative Fuels

Cc:  
Robert B. Weisenmiller, PhD, California Energy Commission;



Rental  
Leasing  
Logistics



# **Penske Alternative Fuels:** **Program Overview & Full Service Leasing**

# COMMITMENT TO SUSTAINABLE TRANSPORTATION



## PENSKE HAS BEEN RECOGNIZED FOR ITS STRONG COMMITMENT TO CLEAN TRANSPORTATION AND FOR BEING AN ACTIVE ADVOCATE WITHIN THE TRANSPORTATION INDUSTRY

- Penske Truck Leasing and Penske Logistics are both partners in the SmartWay Transport Partnership, and Penske Truck Leasing is a partner in the Canada SmartWay Transport Partnership.
- Penske Truck Leasing has won the SmartWay Affiliate Challenge Award for the last three years.
- In 2015, Penske Truck Leasing was given the U.S. EPA Clean Air Excellence Award in the Clean Air Technology Category.
- Additional activities & recognition include:
  - Top Green Provider, Food Logistics Magazine
  - Green Supply Chain Partner, Inbound Logistics
  - U.S. EPA Green Power Partner
  - Member, Green Freight Europe
  - Board Member, NGV America

# ALTERNATIVE FUELS



## EXPERIENCE

- 20+ years maintaining CNG vehicles
- 600+ trucks/tractors in AFV fleet
- 75M+ natural gas miles
- \$10M+ in government funding
- 35+ NGV-ready maintenance facilities
- Various fuel types

## STRATEGY

- Monitor legislation impacting AFV funding
- Improve product offerings with focus on cost, weight, and fuel efficiency
- Partner with OEMs & suppliers who are expanding the alternative fuel infrastructure
- Leverage rentals to generate NGV interest

*Penske currently operates CNG, LNG, LPG, full electric, diesel-electric hybrid, and gas-electric hybrid vehicles.*

# WHAT IS A FULL SERVICE LEASE?

## The Power of Partnering with Penske

Our primary product is the Full Service Lease, an Operating Lease

Full Service Leasing (FSL) allows fleet operators to obtain equipment without incurring any upfront costs and without many of the constraints of ownership.

FSL contracts are traditionally multi-year agreements between the fleet operator and Penske.

Full Service Leases are typically for the initial life of the vehicle, which can be as much as 8 or 10 years. As an example, if a Freightliner Tractor has a first life of 600K miles and the customer drives 100K miles annually, the lease would be typically be written for 6 years.

Penske will purchase a vehicle according to the customer's unique specifications, legalize and in-service the unit, and apply decals and fully prepare the unit for the customer. In most cases this allows the customer to operate the vehicle by just fueling and driving – a turn-key lease.

Full-Service Leases include all maintenance and eliminate the need for fleet operators to hire and train technicians, operate facilities, and purchase tools and technology.

A key aspect of Full Service Leases is that they reduce risk and enable smaller operators to enter into alternative fuels. The leasing provider absorbs downtime risk, maintenance risk, and residual risk, which are often barriers to entry for most operators.



# ADVANTAGE OF LEASING – VEHICLE EXPERTISE

## The Power of Partnering with Penske

We have the experience and OEM relationships to provide the latest, most efficient vehicles.

### FIRST GENERATION



- 75 Diesel Gallon Equivalents (275 mile range)
- Allison Automatic, Limited Aero (~5 MPG)

### LATEST GENERATION



- 160 Diesel Gallon Equivalents (700 mile range)
- Manual/Automated Manual, Full Aero (6+ MPG)

# ADVANTAGES OF LEASING – COST CONTROL

## The Power of Partnering with Penske

We manage the entire funding process from application to reporting.

Customer monthly and annual operating costs are known

Avoids risk of unknown vehicle residuals in newer technology markets

Penske's buying power enables competitive vehicle prices and these savings are passed on to the lessee

Costs for maintenance facility upgrades, technician training, & parts inventory are avoided by the customer



# ADVANTAGES OF LEASING – FUEL STRATEGY

## The Power of Partnering with Penske

We share our knowledge of alternative fuel infrastructure and procurement.  
Penske HD vetted Natural Gas Fuel Finder: [www.altfuelstations.com](http://www.altfuelstations.com)

mulberry, fl  CNG  LNG  MULTI Search Use My Current Location

**Locations Near You**

**TRILLIUM CNG – DILLON TRANSPORT (0.5 MI)**  
1009 E Canal St  
Mulberry, FL 33880  
800-920-1166  
[GET DIRECTIONS](#)

**TRILLIUM CNG (26.1 MI)**  
4612 50th St  
Tampa, FL 33619  
800-920-1166  
[GET DIRECTIONS](#)

**CLEARWATER GAS SYSTEMS (48.1 MI)**  
1020 N Hercules Ave  
Clearwater, FL 33755  
727-562-4900  
[GET DIRECTIONS](#)

**AMP TRILLIUM (58 MI)**  
2920 Silver Star Rd  
Orlando, FL 32808  
312-300-6703  
[GET DIRECTIONS](#)

**RELIANCE ALTERNATIVE FUEL (87.6 MI)**  
2805 SE 32nd Ave  
Ocala, FL 34471  
352-390-8039  
[GET DIRECTIONS](#)

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# ADVANTAGES OF LEASING – DRIVER TRAINING

## The Power of Partnering with Penske

We support our customer's implementation of NGVs with various levels of driver training.



### COMPRESSED NATURAL GAS VEHICLES

What you need to know about operating a CNG vehicle.



### Pre-Trip Inspection

1. Open the manual fuel isolation valve to allow fuel to flow to the engine.



2. Drain the fuel filters. While holding a clean cloth under the filter, slowly open the drain valve for two to three seconds, then close the valve. If equipped, repeat for the second filter. If liquid or oil drains from the filter, notify your Penske facility.



3. Test the methane detection system by pressing the Push To Test button. Hold for about 15 seconds. The alarm will sound and the red light will illuminate. Now release the test button and push the reset button. The red light should extinguish and alarm will be silent.
4. Check oil level. If the level is at or below the "Add" level, add only CES20074 oil. Consult with your local Penske Truck Leasing Maintenance Department or Penske's 24/7 Roadside Assistance when this oil is needed. **NOTE: Using diesel engine oil in a CNG engine will lead to serious engine damage.**



 Dedication at every turn.



### DRIVER ORIENTATION MANUAL

#### Tandem-Axle Day Cab



# Removing Barriers for Small Fleets (NG)

- No upfront purchase costs
- No concerns about vehicle residual/resale
- No costs to modify maintenance facilities
- No maintenance training costs
- No investment in special tools
- No learning curve – instant technology expertise
- No fueling anxiety
  - Penske will help with vehicle routing
  - Penske will help with fueling contracts
- 24/7 Roadside assistance & nationwide service network

**Leasing with Penske is like instantly hiring an experienced alternative fuel department**

# NGVIP PROGRAM COMMENTS RE: LEASING

NGVIP excludes the use of leases for end user fleet applicants, which effectively eliminates the opportunity for dozens of willing fleets to participate in the NGVIP program.

NGVIP categorizes Penske as an end user, thereby limiting it to only 20 vehicles (increased to 30 vehicles in the latest round); however, as a financing tool instead of just as an end user, Penske and other leasing companies can expand AFV adoption, especially among small fleets.

**Penske recommendation:** End users should be the applicants, regardless of whether fleets choose to buy, bank finance, capital lease, or operating lease / full service lease their vehicles. Everyone should all have equal access to program funding.