

DOCKETED

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MHX Response to CEC MHD Infrastructure Loan RFI

MHX thanks the CEC for reviewing and considering our comments in response to this Request for Information.

Please note that the submission form would not accept my email address (rickm@mhx.solutions). I have provided my consultant's email address instead. They will forward any communications to me.

Additional submitted attachment is included below.



October 1, 2021

California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

VIA DOCKET

Energy Commission Docket 20-FINANCE-01

Re: 20-FINANCE-01, Request for Information Medium- and Heavy-Duty Zero Emission Vehicle Charging and Refueling Infrastructure Potential Loan Program

Dear Commissioners:

On behalf of MHX, LLC, thank you in advance for considering our comments in response to the California Energy Commission (CEC) Proposed Medium- and Heavy-Duty (MHD) Zero Emission Infrastructure Loan Program. MHX is pleased the CEC is considering additional financing pathways for MHD zero-emission (ZE) infrastructure investments and welcoming industry feedback. With the relatively high upfront costs and long lead times associated with zero-emission infrastructure, it is imperative to allocate CEC resources in a manner that promotes rapid industry adoption, especially in the MHD sector. MHX is open to a loan program administered by the CEC and has provided feedback on how such a program could help de-risk investment for early adopters.

About MHX

MHX is a California-based, multimodal, mixed commodity, heavy weight freight transportation, warehousing, and logistics enterprise specializing in a suite of containerized, break bulk, and other goods movement services including:

- Heavy weight container drayage and devanning
- Rail, truck, and vessel transloading
- Port-specific services serving the San Pedro Bay Ports—Port of Long Beach and Port of Los Angeles—and the Port of Stockton
- Warehousing

MHX owns and operates seven of its own depots and transshipment facilities and our fleet of Class 8 trucks move standard, overweight, over-dimensional, hazardous materials, and high-value commodities across California. At the Ports of Los Angeles, Long Beach, and Stockton, MHX provides container movement, devanning of heavy weight containers, and direct movement off Break Bulk Terminals. Importantly, MHX also provides goods movement out of the Ports of Los Angeles and Long Beach in the

heavy weight 710 corridor which permits the movement of trailers in the overweight 80,000 to 95,000 pound range. To ensure the most efficient and environmentally friendly goods movement across the state and the country, MHX has invested heavily in multi-modal facilities to ensure rapid transfer from truck to rail and speedy transshipment at Port facilities.

MHX is committed to becoming a trailblazer in sustainable freight transportation with plans to transition its entire diesel-powered fleet of heavy-duty trucks and cargo-handling equipment to zero emission assets, while creating a model for cost-effective, rapid electrification of heavy-duty freight and goods movement. While California Executive Order N-79-20 calls for 100% of drayage trucks and off-road vehicles and equipment operating in California to be zero-emission vehicles (ZEVs) by 2035, MHX is steadfast on not only proactively meeting upcoming regulation requirements, but truly transforming company operations to embody sustainability throughout.

Rate and loan terms should align with pace and scale of up-front zero-emission infrastructure costs.

For many fleet owners, banks serve as their primary lenders and financing partners for investing private capital in transitioning fleets to zero-emission technologies. However, they lack concern in the outcome of the technology's performance or environmental impact. With a state agency such as the CEC acting as a lender for ZE infrastructure projects, the CEC can take on dual roles as both a financing partner and stakeholder in project outcomes.

Early adopters need deep support to overcome the high up-front costs associated with transitioning fleets and supporting infrastructure to zero-emission until cost parity with diesel vehicles and equipment can be reached. While cost parity gaps are gradually closing, ZEV trucks and infrastructure still cost significantly more than diesel. As fleet vehicles near or reach the end of their useful life, fleet owners are faced with a difficult decision, weighing expensive vehicle and equipment purchase prices, performance specifications that do not fully meet operational duty cycles, infrastructure complexity, long-lead times, limited operational use, and unproven technology, all while working towards achieving existing and upcoming emissions compliance requirements and navigating the complexity of state ZEV goals. Additionally, cost savings associated with zero-emission fleets are only realized if projects are executed effectively and as expected. However, there are often setbacks, as expected with the adoption of any new technology. Importantly, once a decision is made and a new vehicle is purchased, its useful lifetime may be 15 years or more. If fleet owners are not able or incentivized to buy new ZEVs today as vehicles are due for replacements, new diesel vehicles purchased instead will last beyond the timeframe we may expect to achieve cost parity (<10 years), missing the opportunity to get more ZEVs on the road over the next decade and a half. To create an ecosystem that allows fleet owners to purchase ZEVs today, they need to be motivated and feel confident in taking on the additional risk. Incentivizing financing of ZEV infrastructure is one way to do this.

Though risks are high, early adopters see value in transitioning ahead of regulatory deadlines if adequately incentivized. **MHX proposes that the CEC consider a loan program that offers 0% interest rate and a minimum 5-year term to align with timelines and scale of investment needed for MHD ZE infrastructure.** Longer loan terms such as 10-year loan terms may align well with state ZEV goals, particularly Executive Order N-79-20, which calls for 100% of drayage trucks operating in CA to be ZEVs by 2035. Longer loan terms also allow fleet owners time to recoup investments from performance cost savings associated with new ZEV trucks, equipment, and charging infrastructure. With a 0% interest rate, longer term loans aligned with realistic infrastructure costs and lead times allow for shared risk so that fleet owners do not take on all the burden of the state's transition to ZEVs. The CEC may also want to consider their role in providing loan guarantees as a method to share risk and stake in project outcomes.

Ability to stack various grant and financing mechanisms is key to de-risk early adopter investment.

MHX would like to express that a loan program administered by the CEC would only be beneficial to industry if it did not impede or diminish available grant funding for ZEV infrastructure, which is critical to ensure adoption of ZEVs across California. Consideration of a 0% interest loan option as add-on funding to an awarded CEC grant project would allow recipients to expand project scopes, purchase additional infrastructure, deploy more effectively, further share stake and investment with the CEC, and be able to fully finance their projects.

Creating additional financing options that do not diminish the availability of grant funds allows investors to mix-and-match finance packages that work for their unique business models. More financing options are beneficial when they don't take away from grant funding. Fleet owners and ZEV infrastructure stakeholders need an array of financing options so they can develop projects that best fit their needs.

MHX thanks the CEC for reviewing and considering our comments in response to this Request for Information and we remain open to further engagement as consideration of a CEC-administered loan program develops.

Rick McLeod III

CEO

MHX, LLC

"Make it a Safe Day"