NAVISTAR®
POWERING INGENUITY

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PATRICK E. CHARBONNEAU – VICE PRESIDENT, GOVERNMENT RELATIONS

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California Energy Commission
Dockets Office, MS4
Docket No. 08-OIR-1
1516 Ninth Street
Sacramento, CA 95814-5512

Dear Sir or Madam,

Navistar, Inc., a leading North American manufacturer of heavy-duty vehicles and engines, is pleased to submit comments on the development of regulations to implement the Alternative and Renewable Fuel and Vehicle Technology Program created by the enactment of AB 118 in 2007. This program will provide up to $120 million per year for seven and a half years to develop and deploy innovative technologies that will assist California in meeting its goals of reducing petroleum consumption and also reducing greenhouse gas emissions.

Navistar is now producing several diesel-electric hybrid heavy-duty vehicle products that reduce petroleum consumption and greenhouse-gas emissions. However, because of the higher cost of these products compared to equivalent non-hybrid vehicles, incentives are temporarily needed to encourage and enable truck and school bus customers to purchase these products. Once a sufficient number of these vehicles are sold, we would anticipate that the cost of the electric-drive and battery technology would decrease to a point where customers would purchase these vehicles without incentives. For this reason, Navistar views the provision of such incentives now for purchase of diesel-electric hybrid heavy-duty vehicles through the Alternative and Renewable Fuel and Vehicle Technology Program as a golden opportunity for California to stimulate use of this technology and help meet its petroleum-independence and greenhouse-gas reduction goals.

Navistar's subsidiary, International Truck and Engine Corporation, currently offers a diesel-electric hybrid option for its DuraStar medium-duty trucks. This option is available for use in such applications as pickup and delivery, beverage, emergency service, and other applications where the duty cycle includes lots of stop-and-start operation.

One of the most promising applications is the utility "trouble truck" in which the auxiliary equipment (i.e., the boom) can be operated solely on battery power with the diesel engine shut off. When the battery is depleted, the engine can be re-started and the battery can be recharged in order to enable resumption engine-off operation of the auxiliary equipment. In this mode of operation, the vehicle consumes over 90% less diesel fuel and provides a corresponding reduction in greenhouse-gas emissions. Over 30 of these vehicles have been sold to utility companies in the US and Canada under the Hybrid Truck Users Forum program funded by the US Department of the Army. These vehicles are now in regular production at Navistar's truck assembly plant in Springfield, Ohio.

In addition to its hybrid truck products, Navistar is now producing, through its IC Bus subsidiary, diesel-electric hybrid school buses and commercial (shuttle) buses. These are available in either a charge-sustaining or a charge-depleting (i.e., plug-in) configuration. Under a program sponsored by Advanced Energy in Raleigh, North Carolina, 20 plug-in hybrid IC school buses have been manufactured and deployed around the United States, including one bus purchased by the Napa Valley Unified School District in Napa, California. Field test data from buses in the Advanced Energy program are showing a 30-50% fuel economy improvement from the plug-in hybrid buses—which translates into comparable reductions in greenhouse-gas emissions.

Because both the hybrid truck and the hybrid bus technologies are only in the beginning stages of commercialization, the relative cost of the hybrid options is large, which is a deterrent to sales. Although hybrids bring a sizable savings in fuel consumption, at this point the incremental cost of this technology is still too high for a business case to be made for these vehicles without government incentives. If, however, sales of these vehicles can be increased, the increased production volume will enable the providers of the electric drive and battery technologies to reduce their prices. At some point, increased production volumes should allow sufficient price reduction to make a business case for the vehicles (from fuel savings) without government incentives.

Navistar is pleased that both the "scoping plan" and the "investment plan" shared by the CEC staff on July 8 and 9 include planned incentives for purchase of heavy-duty advanced-technology vehicles, including hybrid trucks and buses. From Navistar's standpoint, the creation of incentives for purchase of these heavy-duty hybrid vehicles comes at the right point in the product cycle, where some incentives are needed to stimulate the market, increase production volumes, and lower the cost of the hybrid technology. We have already sold some of these vehicles in California, and we would like to sell many more. Therefore, we would hope the implementing regulations for the incentives under the Alternative and Renewable Fuel and Vehicle Technology Program could be adopted at the earliest possible opportunity.

If you need more information about Navistar's hybrid vehicle technology, please do not hesitate to contact Jim Williams (for trucks) at jim.williams@navistar.com or David Hillman (for buses) at david.hillman@navistar.com.

Thank you for attention to Navistar's comments on this issue of great importance to California's future.

Sincerely yours,

Patrick Charbonneau