

Daniel Witt
14-5-4



June 26, 2014

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Support for AQIP FY 2014-2015 Funding Plan

Dear Members of the Board:

Tesla Motors is pleased to offer comments in support of the revised staff proposal for the Air Quality Improvement Program (AQIP) FY 2014-2015 Funding Plan

I. Background

Tesla Motors is a California based manufacturer of Electric Vehicles and Stationary Energy Storage systems. With currently more than 35,000 vehicles on the road, Tesla vehicles (the Roadster and Model S) have been integral in shaping the existing and future potential market for zero emission vehicles. In 2014, the Company intends to nearly double its current fleet of vehicles in the marketplace. Beginning in 2015, Tesla will add a second vehicle to its production – the Model X – a full-size crossover SUV that will further push the bounds of the perceived capabilities of an Electric Vehicle. Additionally, Tesla continues to add to the most robust and technologically advanced Fast Charging network in the State of California¹ – at no cost to California taxpayers.

As the presence of our vehicles and infrastructure continues to grow in California, so too does our California workforce. Tesla now employs more than 6,000 Californians at facilities in Northern and Southern portions of the State. As the Company expands, we continue to emphasize efforts to increase diversity throughout our various sections and maintain special programs to target the hiring veterans as well as women and minorities in the STEM fields.

Tesla Motors is a proud California based company and is pleased to support the efforts of the State and the California Air Resources Board (CARB) to promulgate the use of Zero Emission Vehicle (ZEV) technology as part of its larger efforts to reduce emissions throughout the transportation sector.

II. Support for Revised Staff Proposal AQIP FY 2014-2015 Funding Plan

After a briefing by CARB staff, it is our understanding that the revised staff proposal to be discussed at the June CARB Board Hearing differs from the written record. Specifically, we understand that the revised proposal will maintain existing rebate levels for consumers

¹Tesla has installed 14 Supercharger stations in the state of California with a collective total of 93 individual charging booths. These, along with other Superchargers in the United States enable travel up and down both coasts and from LA to NY and across the country. Tesla plans to continue adding Superchargers throughout California in 2014 to enable additional routes and more efficient travel throughout the State.

requesting rebates from the Clean Vehicle Rebate Project (CVRP) at \$2,500 and \$1,500 respectively for Zero Emission Vehicles (ZEVs) and Plug-In Hybrid Vehicles (PHEVs). Furthermore, staff now indicates that the proposed contingency will be conducted by way of a mid-point review, either prior to or after the end of the calendar year, in order to assess program demand. We support these modifications to the written staff proposal and appreciate the willingness of the Board and staff to consider stakeholder input on these matters in order to determine an appropriate course of action.

Tesla Motors continues to believe the presence of the Clean Vehicle Rebate Project is a catalyst for sales of advanced technology vehicles in the State of California, including those with higher MSRPs, such as our Model S Sedan and our forthcoming Model X vehicle. It was disappointing to us that the staff Discussion Document released earlier this year highlighted the exclusion of high MSRP vehicles as the preferred method of limiting program demand. Our contention remains that eliminating these vehicles from qualifying for the rebate would substantially decrease the number of EVs sold in California, leading to increased emissions and slowing job growth in much needed employment sectors throughout the State. We were pleased that the Board and staff were receptive to the views of various stakeholders that an MSRP cap was not an appropriate method by which to regulate the program. We remain encouraged by the staff's prevailing view that consumers who purchase any Zero Emission Vehicle should be entitled to a rebate, regardless of price.

That said, we readily acknowledge that as EV adoption has increased throughout the state, funding for CVRP has been increasingly difficult to maintain. We believe that a long term strategy is the most effective means to determine year to year funding allocations and related policy decisions. To that end, Tesla remains willing to participate in a dialogue with staff and stakeholders regarding the long term strategy on the CVRP program.

In the absence of this guidance, we believe staff has been forced to be reflexively aggressive in its assumptions of vehicle sales in order to make certain that expected funding allocations will be sufficient for the program for the entirety of the fiscal year. Staff's most optimistic proposal projects an increase of 224% in vehicle sales over the next year. We believe that while such growth is possible in later years, this fiscal year will not yield this magnitude of growth. Rather, we support the PEV model specific analysis conducted by the Union of Concerned Scientists (UCS) which affirms the low estimate of CARB staff, which provides an annual growth rate of 50%. While we look forward to the mid-point review during the coming fiscal year, even this projection may be excessive in light of the prevailing expectations for market performance. In light of this, we believe that EV sales will not exceed the projected allocation for the program for the entirety of the fiscal year.

Given the program's history of budget shortfalls, we strongly support efforts to ensure that the CVRP remains solvent. That said, we support the staff's current position that incentives should not be decreased at this time in an effort to regulate program demand.

III. Pilot Programs in Disadvantaged Communities

We strongly favor the decision by staff to develop a package of pilot programs in disadvantaged communities that will improve access to advanced technology vehicles so that these areas may more readily access the benefits of a cleaner transportation network. We echo the comments from other stakeholders recommending that the Executive Officer retain flexibility

within the programs by reallocating a limited portion of the funding to more successful pilot programs, if the situation arises. However, we firmly support these efforts and commend staff for their inclusion in the Funding Plan.

IV. Conclusion

Thank you for your time and consideration of our comments. In light of the changes detailed above, it is our intention to support the staff proposal for the AQIP FY 14-15 Funding Plan presented in the June board hearing. We wish to, again, acknowledge the hard work of CARB staff, the Governor's office and the many stakeholders in crafting a plan for the upcoming fiscal year that demonstrates responsibility, while also continuing to foster the goals set forth by the State to encourage the adoption of Zero Emission Vehicles in increasingly greater quantities.

We look forward to working with the Board and staff moving forward on future efforts to promote these advanced technologies for the betterment of all Californians.

Sincerely,

A handwritten signature in black ink, appearing to read "Diarmuid O'Connell". The signature is fluid and cursive, with a large initial "D" and "O".

Diarmuid O'Connell
Vice President, Business and Corporate Development
Tesla Motors, Inc.