



Daniel Witt
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April 24, 2014

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

Re: Clean Vehicle Rebate Project (CVRP Waiting List Expansion – SUPPORT) and staff proposals for changes to FY 2014-2015 AQIP Funding Plan

Dear Members of the Board:

Tesla Motors is pleased to offer our support on the Proposed AB 118 Air Quality Improvement Program (AQIP) Waiting List Expansion for the Clean Vehicle Rebate Project (CVRP), as well as some initial thoughts based on the staff Discussion Document pertaining to the FY 2014-2015 plan.

Tesla Motors is a California based manufacturer of Electric Vehicles. By the end of 2013, the Company had produced roughly 28,000 electric vehicles since the Roadster's introduction in 2008. We believe our vehicles are providing a foundation for a growing, sustainable market for zero emission personal transportation. In 2013, we more than tripled the number of Tesla vehicles on the road as a result of the robust sales of our Model S Sedan. As sales have grown, so too has our impact on the economy of California. Tesla currently employs more than 5,000 Californians at facilities in Northern and Southern portions of the State including our assembly plant in Fremont, CA and our recently acquired facility in Lathrop, CA. 3000 of these employees have been hired since the start of 2013 – in line with the scaling of production of our Model S Sedan. More than 63% of employees identify as an ethnic/racial minority and we maintain special hiring programs for veterans and women in STEM fields. Additionally, Tesla operates the most robust Fast Charging network in California with more locations than any other State¹. We continue to invest in new technology, new infrastructure, new retail and service outlets and new jobs in the State of California.

I. CVRP Waiting List Expansion

Tesla Motors supports the staff recommendation to expand the waiting list for consumers seeking a rebate through CVRP from \$5 million to \$30 million.

We strongly believe that the presence of the Clean Vehicle Rebate Project has helped to catalyze the sales of advanced technology vehicles, including those with higher MSRPs such as our Model S Sedan and forthcoming Model X SUV.

¹Tesla has installed 12 Supercharger stations in the state of California with a collective total of 77 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 double that number in California by the end of this year, enabling additional routes and more efficient travel throughout the State.

With the program having exhausted its funds prior to the end of the Fiscal Year, the waitlist has become increasingly important to maintain the continuity of the program. For Tesla customers, the waitlist is even more crucial given the delay between a customer's purchase and the delivery of the vehicle. Any disruption to the program at this stage, including to high MSRP vehicles, will adversely affect the market at a time when we need not only expand total volume of sales, but also expand into different vehicle segments to demonstrate the viability of the technology. ARB should continue to encourage early market adoption in order to propel more wide spread sales of future vehicle lines, such as our planned "Generation III" mass market vehicle.

We support the staff recommendation to increase the rebate reservation list amount to \$30 million in order to solidify the funds necessary to fulfill consumer interest for the remainder of the current Fiscal Year. Furthermore, we also support the staff recommendation to treat those consumers on the waitlist according to current Fiscal Year funding and program criteria. This will further reduce ambiguity and uncertainty about rebate value and program qualifications for any additional rebate applicants during the current Fiscal Year.

II. Proposed Staff Recommendations for Changes to FY2014-2015 AQIP Funding Plan

AQIP staff recently released a "Discussion Document" to preview their initial plans and proposed changes for the FY 2014-2015 AQIP Funding Plan. While a formal draft proposal is not due for several weeks, we wish to provide some initial thoughts for the Board's consideration as the official staff proposal continues to be formulated.

Staff has indicated the need to curtail overall demand of the program in order to meet the fiscal constraints of the expected funding allotment for AQIP and CVRP. In order to do this they have initially proposed several modifications to the program, including an MSRP cap of \$60,000 on qualifying vehicles.

Tesla Motors will offer two vehicles to the market in the next Fiscal Year: the Model S, which has been integral to increasing consumer acceptance and popularity of Battery Electric Vehicles (BEVs) and the new Model X, a crossover SUV that will open up an entirely new vehicle segment to the Electric powertrain. Both vehicles will start above the proposed MSRP cap and would subsequently not be eligible for a consumer rebate.

There are legitimate conversations taking place regarding how to make CVRP the most successful and efficient program given the demand and funding constraints. However, this proposal focuses solely on the cost of the vehicle, while ignoring the benefits of the advanced technology it provides. Tesla vehicles mitigate more emissions per vehicle than any other vehicle on the road due to their long range which meets all of a driver's needs. We believe that prohibiting Tesla vehicles from qualifying for the rebate will 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.

Moreover, we disagree strongly with the staff's conclusion that an MSRP cap will have a smaller impact on the overall market than the income-based test that was offered as an alternative in the document. We believe current staff analysis fails to account for new market

trends reflecting more cost-conscious buyers at higher MSRPs as well as new vehicle releases in the next fiscal year that will start above the proposed \$60,000 cap (specifically the Model X). In fact, we submit that both proposals will have an extremely similar effect on the market. The only distinction being that the MSRP cap specifically excludes Tesla Motors.

As the staff continues to formalize their new Fiscal Year funding proposal, we wish to reinforce our continued willingness to work collaboratively with staff to develop viable solutions to address the fiscal constraints of the overall program, while not disproportionately focusing the weight of any negative effects of new policies on a single, California-based manufacturer.

III. Conclusion

Thank you for your time and consideration. We look forward to working with the Board and staff moving forward on these proposals and 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', with a stylized, cursive script.

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