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January 20, 2009

Air Resources Board
1001 I Street, P.O. Box 2815
Sacramento, CA
Attn: Ms. Elise Keddle, Manager, ZEV Implementation Section

Subject: Comments on proposed PHEV aftermarket parts certification requirements

Dear Ms. Keddle:

I'm writing to you to provide Air Resources Board (ARB) with A123Systems' (A123) comments on the aftermarket parts certification requirements and test procedures for OVCC conversion systems that were proposed by ARB staff in its December 5, 2008 staff report. Our comments on the proposed certification requirements are detailed below.

Warranty Requirements

In its Initial Statement of Reasons, the staff's stated objective relative to HEV to PHEV conversions is to "provide a mechanism for certifying conversions of HEV's, while ensuring emissions are not increased throughout the original equipment manufacturer warranty period". This objective is appropriate given ARB's responsibility for improving air quality in California and A123 shares this objective. Achieving this objective, however, does not require the mandated conversion system warranty provisions proposed by the staff.

As outlined in our previous comments following last year's July 16th workshop in El Monte, A123's Hymotion™ L5 Plug-in Conversion Module (PCM) is capable of meeting the staff's emissions objective throughout the vehicle's OEM warranty period without an ARB-specified warranty provision on the conversion system. Under the 500 vehicle VC27156 exemption granted by ARB Executive Order D-647, A123 has been marketing its L5 PCM to consumers in California with a 3-year/unlimited mileage warranty on the L5. Our warranty forms just a part of the overall value proposition to consumers offered by the L5 which also includes the ability to adopt PHEV technology years ahead of OEM-produced PHEV's, thus, immediately reducing gasoline consumption and greenhouse gas emissions by up to 2/3rds. This value proposition which includes the current 3-year warranty on the L5 has been met with hundreds of orders for the L5 from California consumers.

A123 believes that the staff's proposed conversion system warranty provisions would do nothing to improve upon the L5's ability to meet the staff's emissions objective. At the same time, the proposed warranty requirements would have the unintended consequence of either adding dramatically to the cost of the L5 for California consumers or severely impairing A123's ability to continue marketing the L5 in California. Thus, we feel that the proposed warranty provisions are unnecessary and potentially harmful to the market for PHEV conversions in California, and should not be part of the aftermarket certification requirements.



OBD Requirements

In Appendix J of the proposed certification requirements, the staff suggests that in order to comply with OBD requirements a high level of integration with the OEM OBD system will likely be required. However, many OEM OBD systems use proprietary algorithms and protocols. Unless OEMs cooperate with conversion system manufacturers or a higher level of transparency is required of OEMs, the requirement to integrate with the OEMs' systems could seriously dampen the ability to certify aftermarket conversion systems.

A123 feels that demonstration that a conversion system does not interfere with the vehicle OEM's OBD system and that the conversion system itself is appropriately monitored for faults should be sufficient to ensure that a conversion system does not adversely affect the vehicle's emissions compliance. Thus, a requirement to integrate closely with the vehicle's OBD system should not be required to certify an aftermarket PHEV conversion system.

Please let me know if you have any questions on our comments or require any clarifications. We appreciate the opportunity to be part of this process, and we look forward to working with ARB and the many other stakeholders who are excited at the prospect of introducing PHEV technology into the marketplace now through OVCC conversions.

Thank you,

Sanjeev Choudhary
General Manager, PHEV Systems