

# Elon Musk Proves He Is A Lying Creep; His Motives Are Totally Suspect

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## Author Bio

On its recent conference call with analysts, **Tesla** ([NASDAQ:TSLA](#)) CEO Elon Musk was asked what he was most excited about in

Tesla's future, aside from [autonomous driving](#). Musk's answer may have surprised many, since the answer was Tesla Energy.

Tesla's energy segment is mostly an afterthought for investors, who remain focused on the company's automotive segment. This has been especially true as the Model 3 ramped up production over the past year. In the recently reported quarter, Tesla Energy only made up 6.4% of Tesla's total revenue.

Nevertheless, Musk devoted a fair amount of time on the last call to the energy segment, even bringing in Kunal Girotra, the senior director of energy operations to speak at length about how Tesla hasn't forgotten about its commitment to [solar and renewable energy](#).

Musk and his management team made some interesting comments about the segment, with Musk even postulating that the energy segment could one day grow to be as large as the automotive business, which itself is set to grow significantly in the years ahead.

However, there's also reason to be suspect of Musk's motives for emphasizing energy at this time, given the timing of a recent shareholder lawsuit.


 A roof with a solar panel installation on it with a Tesla-branded storage unit on the ground on the lower-right.

Image source: Tesla.

## **A challenge to the SolarCity acquisition**

Earlier this year, several large Tesla investors were given class action status for their 2016 suit against the company, following Tesla's \$2.6 billion acquisition of SolarCity. More recently, Musk was deposed, and numerous court documents were published at the request of the lawyers for the suing shareholders.

SolarCity was run by Musk's cousin, Lyndon Rive, and Musk was the chairman of SolarCity at the time. While he recused himself from voting on the acquisition, the recent court documents did show that he pushed hard for it in conversations with large investors. Documents also showed that Tesla's advisors would not issue a fairness opinion on the transaction, and that advisors for SolarCity sought alternative bids, but couldn't find a single one.

The lawsuit will likely continue for years in the future, but it's difficult to say exactly how successful (or not) the SolarCity acquisition will turn out. Tesla now groups the SolarCity installation business in with Tesla's home-grown storage division, including Powerpacks for utilities and businesses, and Powerwalls for home storage.

Still, the timing of Musk's deposition and the recently published court documents may have contributed to management's eagerness to tout Tesla Energy on the recent call.

## How well is Tesla energy doing?

While it may not be a total disaster, SolarCity appears to have been a fixer-upper, at least. Under Tesla, solar deployments have decreased significantly, to a degree that likely wouldn't have been palatable for SolarCity as a stand-alone company. One year ago, Tesla even pulled the plug on a partnership with **Home Depot**, in which Tesla would have put a dedicated sales team in 800 stores.

That was done in order to streamline costs, as Tesla pivoted from selling SolarCity panels door to door to selling it in Tesla showrooms and online. Tesla also reportedly cut staff from the SolarCity division as part of its workforce reduction earlier this year and greatly decreased solar installations. For reference, Tesla only deployed 29 MW of solar energy in the second quarter of 2019, down sharply from the 84 MW deployed in Q2 2018 and 176 MW deployed in Q2 2017.

Still, Tesla did grow deployments sequentially in Q3 to 43 megawatts, reversing the quarterly trend of steadily decreasing deployments, though still far below previous-year levels. In the quarter, Tesla also came to market with several new solar features. These include:

- A "rental" option in which a customer can easily deploy solar without an up-front fee or commitment to a long-term lease (though there is a \$1,500 fee for removal).
- A much faster time between ordering and install, down from weeks or months to a few days, as Tesla disclosed it can now

set up solar in one visit in many cases, down from three visits on average.

- A lower overall price, due to the company's sales and marketing cost reductions and standardized small, medium, and large modular system options.
- A new generic template for housing authority approval, which has been accepted by 350 housing authorities and greatly streamlines the time and paperwork required to install solar over legacy custom forms.

Tesla also just unveiled the new version of its "solar roof," which uses light-sensitive shingles that double as both a tile roof and photovoltaic solar panel. Tesla originally released the solar roof back in 2016 upon closing of the SolarCity deal, but had only installed a limited 31 solar roofs as of April. After the recent earnings release, however, Tesla released the third version of the solar roof, which Musk said, "is finally ready for the big time." Musk admitted that for versions one and two, the company was "figuring things out."

The new solar roof sports better safety and wiring, more density per tile, better edges that cut down on labor-intensive finishing, and, importantly, about half of the number of parts. Tesla claims the new solar roof 3.0 should now cost less than the installation of a traditional roof plus solar panels. Tesla will also be open to working with outside roofers in a certified program, in order to further streamline the costs of distribution.

## Will it all work?

It's hard to know exactly what to believe, since Musk also made big promises three years ago when the SolarCity deal closed. One interesting excuse for recent solar declines was that Tesla had to divert most of its resources to the Model 3 launch, which is by far the most important product at Tesla, and one the company absolutely needed to get right.

On the conference call, Musk said the company diverted lots of engineering resources from the solar division to the automotive division to get the Model 3 right, after the initial production ramp-up ran into problems. However, now that the Model 3 production appears to have been fixed and is [going quite well](#), he said, "We've restored resources to Tesla solar and storage. And so that's going to be, I think, the really crazy growth for as far into the future as I can imagine."

While investors may be skeptical around the timing of the new solar announcements, Tesla did appear to prove skeptics wrong with the recent increased profitability in the automotive segment this year, so it's not unreasonable to think the solar and storage division could see better results in the future. However, investors should still be focused on the automotive division, especially autonomous features, the launch of the Model Y, and the Shanghai Gigafactory and Model 3 plants next year. Those big launches are still far more important to Tesla for the foreseeable future, despite the recent lip service given to Tesla solar.