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DCMN HERZFELD

DEPARTMENT OF ENERGY OVERSIGHT:

STATUS OF LOAN PROGRAMS

FRIDAY, MAY 30, 2014

House of Representatives,

Subcommittee on Oversight

and Investigations,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 9:20 a.m., in Room 2123, Rayburn House Office Building, Hon. Tim Murphy [chairman of the subcommittee] presiding.

Present: Representatives Murphy, Burgess, Blackburn, Gingrey, Scalise, Harper, Griffith, Johnson, Long, DeGette, Braley, Schakowsky, Tonko, Green, and Waxman (ex officio).

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Staff Present: Charlotte Baker, Deputy Communications Director; Mike Bloomquist, General Counsel; Sean Bonyun, Communications Director; Matt Bravo, Professional Staff Member; Leighton Brown, Press Assistant; Karen Christian, Chief Counsel, Oversight; Carrie-Lee Early, Detailee, Oversight; Brad Grantz, Policy Coordinator, O&I; Brittany Havens, Legislative Clerk; Sam Spector, Counsel, Oversight; Peter Spencer, Professional Staff Member, Oversight; Tom Wilbur, Digital Media Advisor; Brian Cohen, Minority Staff Director, Oversight & Investigations, Senior Policy Advisor; Kiren Gopal, Minority Counsel; Hannah Green, Minority Staff Assistant; Elizabeth Letter, Minority Press Secretary; and Stephen Salsbury, Minority Investigator.

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Mr. Murphy. Good morning, everyone. This is a hearing of the Subcommittee on Oversight and Investigations entitled "Department of Energy Oversight: Status of the Loan Programs."

Today's hearing will examine the status of the Department of Energy's loan programs and will focus in particular on the Department's efforts to manage a nearly $30 billion portfolio of 30 loans and loan guarantees, while the Department at the same time launches new initiatives to expand that portfolio with additional loans. These new initiatives will tap into existing loan authority that at present amounts to another 40 billion. Add this to the fact that the terms of these loans and guarantees are as long as 20 or 30 years, and it is clear that DOE will be accountable for managing these programs and protecting taxpayer interests for a long time.

So has DOE implemented the structure, policies and practices to meet its responsibilities? Is it doing so rapidly and effectively? Should it do more? And how will the agency sustain effective oversight over this program for the long term?

It's been evident since this committee first commenced oversight of these programs more that 3 years ago that protecting taxpayer interests is no easy task for DOE. Created under Title XVII of the Energy Policy Act back in 2005, the Department's advanced energy technology loans authorized by Congress did not really take off until the stimulus funding of 2009. The stimulus created a category of loan

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guarantees that were fully subsidized by the taxpayer. In the ensuing years of stimulus spending, the DOE's Loan Programs Office focused on soliciting, reviewing, and closing a flood of applications under what was known as a Section 1705 program. The agency's focus with closing loan applications under the stimulus came at the expense of establishing a strong back-end program necessary to manage the risks of the loan portfolio.

The result exhibited most prominently by DOE's handling of the Solyndra loan guarantee were unnecessary taxpayer losses in the hundreds of millions of dollars. Today half the funds and a majority of projects in DOE's loan portfolio are comprised of these stimulus-funded loan guarantees.

In some respects DOE is in a different place now than it was 3 years ago. The agency has issued only two loan guarantees since 2011. It has put more attention to developing portfolio management capabilities and implementing other reform measures.

So today we will take a measure of what DOE has accomplished and what more it should do to protect taxpayer interests. This oversight is particularly important because as the agency transitions focus to portfolio management, it has, in the recent months, launched new initiatives to generate more loans and loan guarantees. In February, the agency announced a new solicitation to tap into $8 billion in loan authority for advanced fossil energy projects. It has proposed a second solicitation to tap into $4 billion in loan authority for renewable energy projects, and it has reminded the automotive manufacturing industry that some $16 billion in authority is available for loans for advanced vehicle technologies and manufacturing.

The status of these new initiatives remain an open question, but it is important to understand whether the agency can manage these new solicitations while ensuring appropriate stewardship of its existing portfolio; and if these new initiatives expand the loan portfolio, can DOE manage it.

This past month both the Government Accountability Office and the DOE inspector general issued reports that evaluated certain elements of DOE's management and monitoring of loans. While both reports found DOE had made progress strengthening oversight, both also identified continuing concerns. So, for example, GAO found that DOE has not fully developed or consistently adhered to loan-monitoring policies, and this inconsistent adherence means that we cannot be sure the agency is completing activities important to protecting taxpayer interests.

The inspector general showed the impact of poor loan monitoring in its examination of Abound Solar Manufacturing, which defaulted on its DOE loan terms in September 2011 and declared bankruptcy in July 2, 2012. The lessons from the Abound case, the IG noted, underscored the need for the Department to accelerate loan oversight improvements in light of the amount of loans in the portfolio. The IG noted that progress has been made, but more needs to be done.

Frank Rusco of the GAO and Deputy Inspector General Rickey Hass will discuss these perspectives today, and most important, of course, are DOE's answers to our questions. We have the benefit of hearing directly from the head of the loan program, Mr. Peter Davidson. So, welcome, Mr. Davidson. I look forward to perspectives on the recommendations made by GAO and the IG, and your view of the status of the agency's operations and loan program goals and challenges. And with that, I now yield 5 minutes to Ms. Schakowsky for an opening statement.

[The prepared statement of Mr. Murphy follows:]

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Ms. Schakowsky. Thank you, Mr. Chairman. I am sitting in this morning for the ranking member Diana DeGette and have the privilege of 5 minutes to give you my take on not only the loan program, but its goals.

Thank you, Mr. Chairman, for holding this important hearing on the status of the Department of Energy's loan program, and I look forward to hearing from our witnesses on this very important issue.

We are at a critical moment in history. 2013 was the 6th warmest year on record; 13 of the 14 warmest years have occurred since 2000. Earlier this month the National Climate Assessment showed that, without major intervention, oceans will rise as much as 4 feet, water shortages will increase rapidly, and the hottest days could be more than 10 degrees hotter by the end of the century. But we are privileged here to have an opportunity to fight and win the battle against climate change, to leave a legacy to which our children and grandchildren can be proud, and I believe this is an opportunity that we must take.

Our approach should be multifaceted. It must include strong rules to reduce harmful emissions as well as a commitment to promising technologies that will help us achieve that goal. Investing in clean energy technologies is not only good for the environment, but it's also in our economic self-interest.

The clean and renewable energy sectors are among the fastest-growing areas of the global economy and will generate almost

$2 trillion in global investment from 2012 to 2018, according to Pugh. There are three times as many jobs created per dollar spent on clean energy versus fossil and nuclear fuels. We should be the undisputed leader in clean energy technologies and the jobs they support, and, with the right Federal support, we will be.

Today we are going to hear from witnesses about the status of loan programs at the Department of Energy. The Government Accountability Office and the Department's inspector general have recently issued reports assessing DOE's loan management and oversight practices. I look forward to hearing about the progress DOE has made in strengthening its management policies as well as areas for improvement.

The Loan Programs Office has been successful in financing groundbreaking solar, advanced vehicle, and wind projects. These and other projects put the credit and confidence of our country behind our greatest innovators, allowing them to succeed where they otherwise might fail. That backing has paid off in a number of ways. Private-sector clean energy projects supported by the loan guarantee program have an 87 percent success rate, far outpacing the performance of typical venture capital firms. Their failure rate is only 2 percent, better than that of loan portfolios at typical banks. Add to this the fact that many of the recipients of DOE loans have trouble finding financing in the private sector, and the program success is all the more impressive.

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The programs have also helped ensure that our auto sector can make the investments needed to make top-of-the-line, fuel-efficient cars. Ford used a DOE Advanced Technology Vehicles Manufacturing loan to upgrade 13 factories across 6 States, including my home State of Illinois. That investment increased the fuel efficiency of Ford cars and created or maintained 33,000 jobs at a time our auto industry was in trouble.

Tesla Motors, another success story, paid off its entire loan last year, 9 years before full payment was due. I wish I could afford a Tesla. Each of the 18 large-scale renewable energy projects backed by DOE's 1705 program have secured power purchase agreements that will ensure the loans are paid back on time and in full.

And finally, the program -- the programs have encouraged significant private investment in clean energy technologies. The Solar Energy Industries Association estimates that DOE loan programs have sparked $25 billion in private investment in solar alone. We need to continue to support nascent technologies until they can attract significant private investment.

Let me just say that in an environment where so many of my colleagues are denying the existence or the importance of climate change and global warming, nonetheless there ought to be an embrace of programs that create -- that stimulate our ability to be leaders around the world in energy technology and clean energy technology, and

I look forward to learning from our witnesses how DOE's loan program can be improved and strengthened moving forward. And I yield back.

Mr. Murphy. Thank you for yielding back.

[The prepared statement of Ms. Schakowsky follows:]

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Mr. Murphy. I now recognize Mr. Burgess for a 5-minute opening statement.

Dr. Burgess. Thank you, Mr. Chairman, and thank you for holding this hearing because it is an important follow-up to work that this subcommittee and subcommittee staff has been performing over the past 3-1/2 years.

Certainly the exposition of some of the poor handling of the 1703 loan guarantee program has been one of the principal efforts of this committee, because, as we now know, the loss of hundreds of millions of taxpayer dollars occurred.

The Department of Energy even went so far as to subordinate the United States' interest in being paid back its money and allowed private investors to be first in line to receive funding, a move that many people believe was done in direct conflict with the very plain language of the law that authorized the loan guarantee program in the first place.

Following this committee's work, Herb Allison, the former Assistant Secretary of the Treasury, looked into the mismanagement of this program by the Department of Energy and released a report, and released a set of recommendations into how the program could be more efficiently operated and still stay within the confines of the authorizing statute.

In the wake of the disastrous results of the first round of loan guarantees, which, you'll recall, ended in bankruptcy announcements

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of companies like Solyndra, Abound Solar, Beacon Power, the Department of Energy suspended making any further loan guarantee approvals. In June of 2013, Secretary Chu told the San Francisco Chronicle, we're going to have more bankruptcies. Sometimes it will be like Solyndra where you get 3 cents on the dollars; others, it will be 80 cents or something like that.

You know, the dismissive tone of the former Secretary making a statement about losing such a profound amount of American taxpayer money was really upsetting to a lot of us on the committee. Following a not-brief-enough 3-year hiatus, it's really been since September of 2011 since there have been any more loan guarantees, I would question whether anymore should be made, but the Department of Energy announced this year that it would actually breathe new life into the program. Current solicitations include loan guarantees for efficiency automobiles and solar energy.

The subcommittee today must look into how the Department of Energy intends to operate this program going forward. Does Secretary Moniz agree with his predecessor's view that more bankruptcies in this program are inevitable? Following the Allison report, what changes have been implemented within the agency to ensure that such failures are minimized? What is the Department's vision for this program going forward?

The loan guarantee program was really accelerated right after the inauguration of President Obama in 2009, was part of a massive stimulus bill, and the President said it was essential for creating jobs and helping to steer the country out of an economic recession. Six years later is this still the goal of the program? At that time, in early 2009, credit markets were essentially frozen to American companies. Does this continue to be the case?

If those things have changed, what is the government's role in any loan guarantee program? If the investment is so inherently risky that it cannot attract private capital, why should the American taxpayer be the one that's put at risk?

The loan guarantee programs that the Department of Energy will be monitoring -- will be approving apply to loans issued for 20- and 30-year timeframes, two or three decades. Given that, when the fact that the Department will need to monitor these loans for decades to come, what safeguards are in place within the Department to ensure continuity of oversight over the two- to three-decade lifetime of the loan?

Moreover, during our last set of hearings over the failures of the Department of Energy to properly oversee the program, it became clear that the Department of Energy actively excluded the Treasury Department from any meaningful input into the decisionmaking of which company should be receiving loan guarantees. What has happened to the cooperation between the two Departments? Does that lack of

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cooperation continue to exist, or will the Department of Energy be soliciting more economic expertise from the Department of Treasury?

These are some of the many questions that are going to come up today, and I hope they are answered in today's hearing. I look forward to hearing from our witnesses and welcome them in their time in the committee.

I yield back to the chair.

Mr. Murphy. The gentleman yields back.

[The prepared statement of Dr. Burgess follows:]

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Mr. Murphy. I now recognize Mr. Waxman for a 5-minute opening statement.

Mr. Waxman. Thank you, Mr. Chairman. Thank you for holding this hearing. We're here today to discuss DOE's loan programs. We should focus on the success of the program and the need for clean energy financing as the threat of climate change becomes even more dire.

In 2011 and 2012, and maybe in 2014, this committee was almost obsessed with the Solyndra loan that went bad. We reviewed over 300,000 pages of documents, issued multiple subpoenas, conducted over a dozen interviews, and had 4 hearings. We found no evidence of the wrongdoing to support the wild claims of House Republicans, but we ignored the big picture, that the overall loan portfolio was strong, and that the loan program was helping to enable new breakthrough technologies to hit the market and employ tens of thousands of Americans.

Tesla Motors, the Caithness Shepherds Flat wind farm, the Agua Caliente Solar project, these are the exciting success stories of the Loan Programs Office, and they are far more representative of the program as a whole than the handful of programs that have not worked out.

Ensuring that America generates a much larger share of its energy from clean sources should be a top priority for our Nation's energy policy. Doing so is critical to allowing America to compete for leadership in the global clean energy market, to helping reduce America's energy cost by improving efficiency, and to combating climate change.

For the past several years, the Loan Programs Office has helped meet these goals. Earlier this year the Intergovernmental Panel on Climate Change, the world's preeminent authority on climate science, issued a stark warning on the consequences of failing to take action to address manmade climate change. The report found that climate change is already happening and will get much worse if we do not take action immediately.

In order for the planet to avoid the worse consequences of climate change, the United States has to be a leader in reducing carbon pollution, and yet Republicans in Congress continue to feed the myth that there is a scientific debate about whether climate change is happening, despite glaciers melting, despite more powerful and prolonged hurricane and wildfire seasons. The wild fire season in California doesn't even end anymore. My Republican colleagues continue to bury their head in the sand.

This committee should be finding solutions to address climate change, but House Republicans offer no solutions. They reject every policy that would reduce our carbon pollution. They say no to a price on carbon. Okay. But then they say no to cap-and-trade, and then they say no to EPA rules. They even reject financial support for climate science in DOE's loan program, which was originally established with bipartisan support.

Denying the science and rejecting all potential solutions is not a plan. So as we discuss the Loan Programs Office today, let's avoid the attempts to make political hay out of Solyndra. Instead, we should learn what loan program leaders have learned from past problems and what they are doing to ensure the program's success as it begins to accelerate the pace of new loans.

These loan programs can help us develop an energy strategy for the future that creates jobs, saves money, and positions us as a leader in the effort to mitigate the worst impacts of climate change. I thank our witnesses for being here with us today and to share their expertise on how we can make sure that the loan program achieves this vision.

Thank you, Mr. Chairman, and I yield back my time.

Mr. Murphy. The gentleman yields back.

[The prepared statement of Mr. Waxman follows:]

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Mr. Murphy. We will now proceed with our witnesses to speak. I wanted to add and tell Members, because we are limited on time, we'll have a quick gavel at 5 minutes, so please go under your time, so we will cut you off there so that all of us can ask questions.

So, Mr. Peter Davidson, as the Executive Director of the Loan Programs Office at the United States Department of Energy. In this role he oversees the program, more than 30 billion portfolio of clean energy and advanced vehicle loans and loan guarantees, making it the largest project finance organization in the U.S. Government.

Mr. Rickey Hass is the Deputy Inspector General of Audits and Inspections at the United States Department of Energy. In this role he directs a Federal workforce of professional auditors and inspectors, serving at 13 major Department of Energy sites across the country.

And Mr. Frank Rusco is the Director of Natural Resources and Environment of the United States Government Accountability Office. In this role he leads audits and reviews on a broad spectrum of energy, science, and DOE programmatic issues for Congress and the committee.

I will now swear in the witnesses.

Are you all aware that this committee is holding an investigative hearing and, when doing so, has had the practice of taking testimony under oath? Do you have any objections to taking testimony under oath?

All of them say no.

The chair will then advise you that you are -- under the rules of

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the House and the rules of the committee, you are entitled to be advised by counsel. Do any of you desire to be advised by counsel during your testimony today?

All the witnesses say no.

So, in that case, if you please rise, raise your right hand, I'll swear you in.

[Witnesses sworn.]

Mr. Murphy. Thank you. All of the witnesses have answered in the affirmative. You are now under oath and subject to the penalties set forth in Title 18, section 1001 of the United States Code. You may now each give a 5-minute summary of your written statement. Mr. Davidson, we will begin with you.

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TESTIMONY OF PETER W. DAVIDSON, EXECUTIVE DIRECTOR OF THE LOAN PROGRAMS OFFICE, DEPARTMENT OF ENERGY; RICKEY HASS, DEPUTY INSPECTOR GENERAL FOR AUDITS AND INSPECTIONS, DEPARTMENT OF ENERGY; AND FRANK RUSCO, DIRECTOR, ENERGY AND SCIENCE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

TESTIMONY OF PETER W. DAVIDSON

Mr. Davidson. Chairman Upton and Chairman Murphy, Ranking Members Waxman and DeGette, members of the subcommittee, thank you for the opportunity to appear before you today. My name is Peter Davidson. I'm the Executive Director of the Department of Energy's Loan Program Office, or LPO, a role I assumed almost 1 year ago.

LPO issues loan and loan guarantees to accelerate the commercial deployment of clean energy projects and advanced vehicle manufacturing in the United States. The program was designed to fill a critical role in the marketplace, because the initial commercial deployment of innovative energy technology is often limited by a project developer's ability to secure sufficient full-term debt financing to build the project.

Every transaction supported by the loan program is a public-private undertaking. While the Department issues loans and loan guarantees to provide the necessary debt financing for these projects, the project sponsor must provide sufficient project-level equity investments of at least 20 percent of the total cost of every project, and usually represents more than its 20 percent. DOE will not issue a loan or a loan guarantee until substantial private equity support is committed to the project. The LPO supports these innovative projects by administering two separate programs, the Title XVII and the Advanced Technology Vehicle, or ATVM, Program.

We currently manage a portfolio of more than $30 billion of loan guarantees, loans and conditional commitments, over 31 projects. As the committee knows, our projects include the first and new nuclear power plant to be licensed and constructed in the United States in more than 30 years, some of the largest utility-scale solar facilities in the world, dozens of retooled auto manufacturing plants producing some of America's best-selling vehicles, the world's largest solar thermal energy storage systems, and a variety of other groundbreaking projects. Overall, these loans and loan guarantees have resulted in more than $50 billion in total project investment.

Under the Title XVII program, the LPO currently has 17 electricity generation projects in operation that produce enough clean energy to power more than 550,000 homes annually, and this number is increasing as new projects come online.

The auto program has supported the production of over 4 million vehicles and approximately 35,000 direct jobs across 8 States:

Michigan, California, Illinois, Missouri, Ohio, Kentucky, New York and Tennessee.

So even in the context of the program statutory mandate to take on technology risk, losses to date are approximately 2 percent of the entire portfolio; 98 percent of the portfolio is operating and money good. We believe our performance is strong and compares favorably to the private sector.

Now, the Department of Energy takes its responsibility to the American taxpayer very seriously. As a result, the LPO underwrites and structures its loan and loan guarantees to protect the interests of the taxpayer and maximize prospects for full repayment. Before making a loan or a loan guarantee, we conduct extensive due diligence on the application with rigorous financial, technical, legal, and market analysis by our professional staff, which includes qualified engineers, financial experts, and outside advisors. And as noted in previous GAO reports, some private lenders have observed that the LPO's due diligence process is as rigorous, if not more rigorous, than the reviews performed in the private sector.

Despite these efforts we have experienced some losses and thus constantly seek to improve every aspect of our operations. We have benefited greatly from recommendations for improvement, which have come from Congress, from the GAO, from the DOE's inspector general, and independent consultants such as former Treasury Department official

Herb Allison. DOE has adopted many of these improvements, including streamlining the application process, adding transparency to the approval process, filling key positions with experienced professionals, clarifying authorities, strengthening internal oversight of the program, developing a state-of-the-art workflow management system, establishing a robust early warning system, and improving reporting to the public. We continuously look for ways to improve our underwriting and asset-monitoring activities, to incorporate lessons learned, and ensure best practices to protect taxpayer interests.

In conclusion, securing economic leadership in the future requires the support of clean energy innovation and deployment today. The LPO provides one of the most important tools to achieve those goals, and, as our global competitors have learned, that is debt financing on reasonable terms, wisely targeted, and responsibly deployed.

The achievements of the LPO, I believe, to date are solid, but they are not enough, and we need to do more to compete on the global stage, starting with our recently issued advanced fossil energy project solicitation, and continuing with other remaining authority, we aim to do just that.

Mr. Chairman, I thank the members of the subcommittee, and I look forward to answering your questions.

Mr. Murphy. Thank you.

[The prepared statement of Mr. Davidson follows:]

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Mr. Murphy. Mr. Hass, 5 minutes.

TESTIMONY OF RICKEY HASS

Mr. Hass. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to testify on the work of the Office of Inspector General regarding the Department of Energy's loan --

Mr. Murphy. Could you pull that microphone real close to your mouth, please?

Mr. Hass. Little better?

Mr. Murphy. That's much better. Thank you.

Mr. Hass. Because of the significant taxpayer funds involved, the Office of Inspector General has, over the years, performed a series of reviews of the Loan Programs Office. These reviews have identified needed improvements in both the origination and monitoring of loans.

My testimony today will focus on our review of the Department's implementation and recommendations that resulted from an administration-requested review of the LPO by Mr. Herbert Allison in January of 2012. Prior to doing so, however, I will discuss our recent report on the failure of the $400 million Abound loan guarantee to provide a benchmark for understanding the Department's progress and actions yet to be completed.

Although the Department had identified and taken steps to mitigate risk, and had reduced its financial exposure by suspending funding when Abound did not meet its project milestones, our audit identified several weaknesses in the administration of the loan. Specifically we found that the program had not notified the Department's credit review of material change in the credit subsidy used to cover potential loan losses. It had not resolved conflicting opinions of technical advisors, adequately documented assumptions used in its financial modeling, and conducted ongoing formal financial and market analyses.

We concluded that the issues we identified occurred because the program had not established comprehensive policies, procedures and guidance for awarding, and monitoring and administrating loans. We also pointed out that the weaknesses in the financial market and monitoring of Abound occurred when the program had limited staff and was just establishing its portfolio management division.

The Department's experience with the Abound loan guarantee provides useful lessons learned for program improvements, which were generally incorporated in the independent consultant recommendations. The purpose of our most recent review was to the determine whether the Department adequately addressed the independent consultant's 12 recommendations to enhance program oversight and management.

Our review found that the Department had completed actions to address 4 of the 12 recommendations, including filling a number of key positions and establishing and communicating management goals. While the Department did not fully concur with our findings, we consider efforts to address the remaining eight recommendations to be ongoing, because policies, procedures, and other plans and efforts were not yet complete and in place. Examples of remaining actions include strengthening internal oversight, clarifying authorities, and incorporating lessons learned into policies and procedures.

We also identified other needed improvements. Specifically we noted that the Department had not finalized changes in policies and procedures necessary to address Mr. Allison's recommendations, and had not developed a formal adjudication process for resolving differences of professional opinion. Finally, we found that the program had created a potential conflict of interest by appointing the Director of Portfolio Management as a member of the program's risk committee.

While the Department's actions show promise and substantial progress had been made, we are unable make a determination at the time of our report as to whether the efforts will be ultimately fully successful, because, as previously noted, a number of actions are still ongoing.

Given the significant amount of funding available for loans and loan guarantees and the previously identified weaknesses, we'll continue to monitor the loan-related activities as part of our normal risk-assessment process. In our view, the loan guarantee program warrants attention by Department officials, and as such has been one of our management challenge watch list item since 2011.

Mr. Chairman, this concludes my statement, and I will be pleased to answer any questions the subcommittee may have. Thank you.

Mr. Murphy. I thank the gentleman.

[The prepared statement of Mr. Hass follows:]

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Mr. Murphy. I now recognize Mr. Rusco for 5 minutes.

STATEMENT OF FRANK RUSCO

Mr. Rusco. Thank you. Chairman Murphy, Ranking Member DeGette, Ms. Schakowsky, and members of the subcommittee, I am pleased to speak to you today about DOE's loan programs.

Since 2009, DOE has made a total of 38 loans under 3 programs. These loans amount to about $30 billion, and DOE has about $45 billion in remaining loan authority. Five of the thirty-eight loans have defaulted, and another four were either deobligated or withdrew prior to disbursement of loans. DOE is in the process of unraveling the defaulted loans and calculating the losses to the Federal Government.

The Section 1703 Loan Guarantee Program was authorized by Congress in 2005 and was designed to encourage investment in commercial use of new or innovative energy technologies. This program issued its first two loans in February 2014 to support two nuclear reactors under construction in Georgia. The total amount of these two loans was about $6.2 billion, and DOE has about $29 billion in remaining 1703 loan authority.

For 1703 loans, the loan recipients are generally required to pay for the expected costs of the loans at the time the loans are made. These expected costs are referred to as credit subsidy costs. The

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Advanced Technology Vehicle Manufacturing Loan Program was authorized by Congress in 2007 and is designed to encourage the automotive industry to invest in vehicle technologies resulting in greater fuel efficiency of vehicles and components. DOE made five loans under the ATVM Program between September 2009 and March 2011 for a total of $8.4 billion and has $16.6 billion in remaining loan authority. For ATVM loans, the Federal Government pays the credit subsidy costs. For the five loans made to date under this program, these credit subsidy costs were $3.3 billion.

In 2009, as part of the Recovery Act, Congress created the Section 1705 Loan Guarantee Program to support commercial energy projects that use renewable energy, electric-power transmission systems, or leading-edge biofuels. Congress also appropriated funds to pay the credit subsidy costs for 1705 loans. Thirty-one loans were made under 1705 between September 2009 and September 2011, when loan authority expired. The total value of the loans made were $15.7 billion, and the credit subsidy costs for the loans were 1.9 billion.

GAO has evaluated DOE's loan programs on an annual basis since 2007 and has found that, over time, DOE has set up the infrastructure to solicit and evaluate loan applications, to estimate credit subsidy costs, and to issue or guarantee loans. DOE is also building its capacity to manage the risk of its existing loan portfolio. In our reports we have made in recommendations intended to improve the functioning of the programs, and DOE has generally been responsive in implementing these recommendations.

There is, however, some question about whether there will be sufficient demand for all remaining loan authority under the 1703 and ATVM programs. For 1703, the fact that borrowers must generally pay for the credit subsidy costs at the time the loans are made may prove to be a deterrent. The 1703 program has offered numerous solicitations over the past 8 years and evaluated many dozens of applications, but until March of this year, it had been unable to make a single loan. It is also important to note that for the two loans it did make, the borrowers did not pay any credit subsidy cost because DOE estimated these costs to be zero.

We are not questioning DOE's cost estimates for these loans, but we note that under the 1705 program, when the government was paying these costs, the average credit subsidies were about 12.5 percent of the loan value. If similar credit subsidy costs are assessed under 1703 programs in the future, it is unclear that borrowers would find these loans to be economically attractive.

Further, the ATVM program has not made a loan since March 2011, despite having loan authorization and appropriated funds to pay the credit subsidy costs. In our most recent report, we found that as of March 2014, the program had only one active loan application, and this loan was for about $200 million, a small fraction of total remaining loan authority. GAO, therefore, suggested that unless DOE can demonstrate adequate demand for ATVM loan authority, Congress may wish to consider rescinding all or part of the remaining $4.2 billion in credit subsidy appropriations.

Thank you. This completes my oral remarks. I will be happy to answer any questions you may have.

Mr. Murphy. I thank the gentleman.

[The prepared statement of Mr. Rusco follows:]

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Mr. Murphy. I am now going to recognize myself for 5 minutes.

Mr. Davidson, how long have you been running the DOE's Loan Programs Office, did you say?

Mr. Davidson. Mr. Chairman, I began there in May of last year, so 1 year

Mr. Murphy. And as the head of the Loan Programs Office, you report directly to the Secretary; am I correct on that?

Mr. Davidson. Correct.

Mr. Murphy. So, have you had meetings with Secretary Moniz to discuss the LPO?

Mr. Davidson. Yes

Mr. Murphy. And what is the Secretary's vision for how the remaining $40 billion in loan authority should be used?

Mr. Davidson. Thank you for that question. The Secretary's point of view is that we move ahead and do what we believe the statute provides us for, which is within our area, which is now the 1703.

Our 1705 funding, which is the stimulus act, those -- that loan program is over, so now we have the 1703, which is the self-pay authority.

Mr. Murphy. Pull that a little bit closer because I want to make sure we hear.

Let me ask about specifics. So has he directed you in anything such as fossil fuel, carbon capture sequestration, nuclear power plants?

Mr. Davidson. We don't discuss specific transactions. What we talk about is the ability to put out solicitations. As was remarked, we have not put out a solicitation in a number of years. We put out the first new solicitation under 1703 in a number of years, which is the advanced fossil fuel solicitation.

Mr. Murphy. But I assume, as head of the LPO, you receive periodic status reports, loan applications, and the existing portfolio; is that correct?

Mr. Davidson. Excuse me?

Mr. Murphy. I'm assuming that you receive reports on the loan applications and the existing portfolio?

Mr. Davidson. Correct.

Mr. Murphy. Okay. Do you regularly brief the Secretary on the current status of all the aspects of the program?

Mr. Davidson. The Secretary and I meet on a quarterly basis.

Mr. Murphy. Two years ago this committee asked the DOE to submit a list of projects that applied for loan guarantees. Can you tell me how many of the active loan guarantee applications are still in the queue?

Mr. Davidson. We have been providing that to certain areas of Congress. I'm not sure it did this committee, but we're happy to do that.

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Mr. Murphy. Do you have any idea how many are still in the queue, by any chance?

Mr. Davidson. Our total applicants?

Mr. Murphy. Yes.

Mr. Davidson. We have a number of applicants still in the queue. We have -- as we shut down, as the 1705 program ended, all those that were still in the queue were allowed to proceed if they had been active. So of that, we have a number of active applications. We don't disclose the number exact, but there are a handful of active applications. On the renewable side, there are a handful of active applications from earlier fossil solicitations we did in 2008.

Mr. Murphy. Can you describe the nature of those fossil solicitations in general?

Mr. Davidson. Well, Mr. Chairman, if I can go back, I'll go back. As I know many of you on the committee are aware, we did a solicitation in 2008 which was really a coal gasification. It was a very specific solicitation. At that time a number of applications came in, I think 10 or so at the time. Some of those have remained active. And are still in the queue, and are still being pursued, and are in due diligence. Many of those projects, the sponsors withdrew the projects primarily because of what's happened with natural gas. And the decrease in the cost of natural gas has made those products not -- those projects not economically viable, so the developers have withdrawn.

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Mr. Murphy. Mr. Rusco, let me ask you, GAO has reviewed the loan program extensively, as you pointed out. What do you see as the largest risk in the program as it is currently run both in terms of the loan origination and the long term?

Mr. Rusco. In terms of the front-end process of the loan origination, you know, I would say DOE does not have a perfect record of choosing viable projects to support. Most of their experience is in the 1705 program, where the Federal Government paid the credit subsidy cost, but in that program, DOE made loans to four solar manufacturers, and of those four loans, two have defaulted, and one was deobligated prior to loan disbursement. In large part, these problems stem from growing competition from lower-cost producers of solar panels in China and elsewhere, but --

Mr. Murphy. Can I interrupt you on that point, because I know that one of the problems we had with Solyndra when there was competitions from China, unfortunately, is that the issue was -- when you talk about viability, are you referring to viability of where the company is financially viable, if the nature of the project itself is going to be viable as new technologies develop, or both?

Mr. Rusco. Well, I think that the energy sector is changing rapidly, constantly, and keeping abreast of that and making sure that you are supporting projects that will remain viable is a very difficult proposition.

Mr. Murphy. Particularly when you are doing a 20- or 30-year loan.

Mr. Rusco. Yeah, that's -- that is -- that is a concern, and -- so on the back end, you know, we remain concerned that DOE is not fully set up and staffed its portfolio risk management procedures and policies. DOE must remain vigilant to ensure it's well informed and prepared to respond to any emerging risks to its existing loans, and that could include risks associated with lower-priced natural gas, as was mentioned, or any other changes in the markets.

Mr. Murphy. Thank you. I recognize I am out of time. I'll now recognize -- you ready? We'll recognize Mr. Green first for 5 minutes, if you're ready, Mr. Green, from Texas.

Mr. Green. Thank you, Mr. Chairman.

Mr. Davidson, just off the top of my head, why are the number of applications privileged, that you can't share with a congressional committee?

Mr. Davidson. The -- I believe it's our DOE policy. We just -- we state the number of applicants who have -- the specific number of applicants we try not to release because there are competitive -- potential competitive issues involved. We try and really safeguard the privacy information of those people that apply, trade secrets, those type issues, and the feeling is if people know how many applied for a certain type of solicitation, it could determine if there are competitors applying or things of that nature.

Mr. Green. I understand that, and I -- you know, obviously I want business records and proprietary information, but it seems like a public loan would be -- at least the information for the number -- I'm not talking about the names even, but that would be helpful, of someone who's applied, but that's separate from my line of questions. I just didn't know they were -- even the number of applications, I never had somebody say we can't tell you how many we have. That just -- it just bothers me as a Member of Congress.

In the most recent solicitations released by your office for advanced fossil energy projects, an eligible project could apply as an advanced resource development project. These projects include projects that employ new or significantly improved technologies to economically develop and recover and produce traditional fossil energy resources with reduced greenhouse gas emissions. Just for clarification, an eligible project could involve either hydraulic fracking as a technology or natural gas as a traditional resource; is that correct?

Mr. Davidson. Correct.

Mr. Green. Because coming from Texas, I also know we have some issues that we need to do. If we want to continue the successful development of natural gas, we need to use technology, whether it's private sector or public sector, to be able to safely get that product out of the ground and as clean as we can do. Is the Department of Energy open to something like that as a grant project?

Mr. Davidson. Yeah. Thank you, Congressman, for that question.

First of all, on the prior point, let me just say we're happy to work with your staff to try and get you the information on the number of applicants, so we'll follow up with you on that.

We are -- I'm glad you brought up the advanced fossil. We are very pleased to be having issued that in December with the support, obviously, of the Secretary, and it is the first time in recent years that we'll be able to move on loans that are not just in the renewable side and the auto side.

We think there's a great opportunity within the fossil fuel area. That's all the way from extraction through the generation side, through the end use in the area of energy efficiency and combined heat and power. We believe developers and project sponsors will have many uses for the fossil fuel.

As you know, there are four requirements for any 1703 loan to be --

Mr. Green. I only have 5 minutes, and let me first -- the -- under the ATVM Program, Secretary Moniz has stated DOE would specifically reach out to component manufacturers. Has the DOE reached out to similar technology companies in the hydraulic fracking sector?

Mr. Davidson. The -- we just don't have the ability to do that the way our loan is structured. What we do is we put out a solicitation, which we have now done, and then we have to wait for companies to apply to us. We are not allowed to engage specifically with companies. We can't go out and pick one company or another. We just have to say, the Department of Energy is open for business, here are the requirements, so please apply for the program. But we very much encourage companies involved in the front end, the extractive side of the industry, to apply to the program.

Mr. Green. Mr. Chairman, this wasn't part of the loan program in the 2005 act, but we did do an amendment to the 2005 act for directional drilling. We had a Texas company who did its best they could with the technology, and the 2005 act authorized, but the DOE lab in Wyoming -- because of former Congressman Barbara Cubin -- and they did the research so we can. And part of our success in natural gas is not only hydrofracking, but also the directional drilling, and Department of Energy, I think, helped that company in the industry to be able to extend that reach from 35,000 feet to more, but -- and that's one of the successes, I think, of what happened to the 2005 Energy Act. It wasn't a loan program, but it actually helped us with the success we have today.

So I know I'm almost out of time, Mr. Chairman. I appreciate the -- you and our ranking member having this hearing today.

Mr. Murphy. The gentleman yields back.

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I now recognize the vice chairman of the full committee Mrs. Blackburn of Tennessee for 5 minutes.

Mrs. Blackburn. Thank you, Mr. Chairman, and I'm going to try not to take that full 5, but I want to welcome our witnesses. We do thank you for being here. As you know, we have a history, as Dr. Burgess said, of being very concerned and very interested in this program and the process that takes place at the LPO.

Mr. Davidson, I have to tell you, I found your background fascinating, and Blackstrap Communications, and the fact that you were in the communications world and now you moved over to the energy world, and how you took that name as a tribute to your grandfather and with his selling molasses, I thought that was really quite fascinating. And maybe we should have you come back when we're talking telecommunications and broadcasting.

A couple of questions for you. On clarification, if I can, on just how many loans and loan guarantees you all have closed on and how many you are actively monitoring, what is your -- what is your total?

Mr. Davidson. Thank you, Congresswoman. Thank you first for those nice comments to begin.

The total number of loans we have that we're actively -- that in our portfolio, we've lent money to, are 33.

Mrs. Blackburn. So you do have a total of 33 that are out there, and you're actively monitoring those. And the amount of those loans,

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is it about $28 billion?

Mr. Davidson. It's a little closer to 30 billion now.

Mrs. Blackburn. Okay. So it's closer to 30 billion.

And how much of your total loan funds have been disbursed?

Mr. Davidson. Well --

Mrs. Blackburn. By percentage.

Mr. Davidson. We have -- well, the short answer is we have approximately 26 million in the 1703 authorization still available and 16 billion in the ATVM available.

Mrs. Blackburn. Okay.

Mr. Davidson. So, a little over $40 billion still remaining.

Mrs. Blackburn. Okay. All righty. And let me ask you this. What I'd like to know, since we've had so many questions about due diligence and how the program goes about its due diligence, describe for me how the LPO actually monitors that portfolio.

Mr. Davidson. Thank you, Congresswoman, for that. First let me say, as you mentioned, I had been in the private sector for a number of years. I was in the banking business for a while, so -- and I've been now in government for the last 5 years, State government and now here, and I just would like to reassure you, from what I've seen in the private sector and what I've seen at the LPO in my 1 year there, I think our processes, the way we go through our due diligence, the way we involve both our staff and outside consultants when we need them, outside engineers and outside financial advisors, is really first rate, and it's really very thorough and --

Mrs. Blackburn. I've only got 5 minutes. What I'm looking for is specifics.

Mr. Davidson. Okay.

Mrs. Blackburn. You know, what -- what are some of your benchmarks? What are -- what are some of the components that you're looking for as you do this due diligence? And if you cannot answer that question right now, what we want to see is to see that in writing.

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Mrs. Blackburn. And, Mr. Rusco, in your report, you noted that while DOE had implemented some reforms, they have not done written policies and procedures for those loan-monitoring activities; is that correct?

Mr. Rusco. That's correct. There are several -- several areas where we want to see additional improvements. DOE did not consistently adhere to its policies for monitoring and reporting on credit risk, for example, on ongoing -- ongoing loans. They should be reviewing that credit risk periodically and writing reports.

Mrs. Blackburn. So, they're still conducting their business, and too much of a subjective format; would that be correct?

Mr. Rusco. I think that what they were doing is they have not yet put into place specific policies and guidance that they are following consistently, and they really need to do that to ensure that --

Mrs. Blackburn. Sometimes we say that's kind of making it up as you go along.

Okay. Mr. Chairman, I'm going to yield back.

Mr. Murphy. The gentlewoman yields back.

I Now recognize the ranking member Ms. DeGette for 5 minutes.

Ms. DeGette. Thank you, Mr. Chairman, and thank you for having this hearing. It's been several years, and I think a review of these programs is really overdue, and I appreciate it.

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I also want to thank Mr. Green for filling in for me while I was at a preexisting commitment this morning.

I have -- I have some questions about how the loan guarantee program is working, since this is the first hearing we've had since Solyndra, and I want to start with you, Mr. Davidson. By what metrics does the Loan Programs Office assess whether the clean energy loan portfolio is performing well, and what do those metrics show?

Mr. Davidson. Thank you for the question. Primarily two ways we look at it. One is on the financial performance, how we're doing that way. I think, as I mentioned in my statement, of the 30 billion portfolio outstanding, 98 percent of that portfolio is performing and paying back. We have had losses of 2 percent that --

Ms. DeGette. Wait. What's the amount of those losses?

Mr. Davidson. The losses are approximately 700 million over the five projects that have been described.

Ms. DeGette. Okay.

Mr. Davidson. Of the 30 billion portfolio. So we look at the financial performance as one metric, and the others we really look at the intention was are we bringing new forms of energy technology to market that would not be possible without this program?

Ms. DeGette. And what's your view on that?

Mr. Davidson. We think we have been very successful in a number of ways. If you look at the utility-scale solar industry, that did not exist. Before the Loan Programs Office made the first five loans to utility-scale solar, the government made the first five loans. We stopped making those loans in the 1705 program, and in 2011, since that time, 10 new utility-scale solar facilities have been built without a dime of government money. That's a success.

Ms. DeGette. Okay. I'm sorry

Mr. Davidson. So, we look at the nuclear facility. No nuclear facility had been built in this country in 30 years. Now the first one is being built. We think that's directly related to this program.

And then, finally, a lot of what's happened in the auto sector with Ford retooling 13 facilities, the $5.9 billion loan from the ATVM Program went to Ford for that. Nissan was able to bring the batteries, which they had been producing in Japan. We brought those and now built a factory in Smyrna, Tennessee, where we're making those battery packs.

Ms. DeGette. Thanks. Okay.

So, now, when Congress passed the loan guarantee program, they did that in order to fund -- help encourage funding of programs that the private sector would find too risky to fund on its own; is that correct?

Mr. Davidson. That is correct.

Ms. DeGette. And so, therefore, the -- are the amount of losses that you had described as seeing in line at what was expected by Congress when they passed that section XVII program into law?

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Mr. Davidson. Thank you, Congresswoman, for that question.

Ms. DeGette. Well --

Mr. Davidson. A member or --

Ms. DeGette. Do you think that was in line with what Congress expected when they passed that into law?

Mr. Davidson. I think what -- what Congress, when they passed, there was kind of the credit subsidy number that was mentioned for ATVM, the -- kind of that number was 7.5 billion, and for the 1705 program was approximately 2-1/2 billion. So essentially Congress said losses essentially could be high as $10 billion for our program. As I mentioned, losses to date are 700 million --

Ms. DeGette. So, actually it's less --

Mr. Davidson. -- so more than 90 percent of what was allocated remains.

Ms. DeGette. It's less than what was expected from Congress.

Mr. Davidson. Far less than what was --

Ms. DeGette. And how has the DOE program performed compared to what we've expect from a private-sector portfolio?

Mr. Davidson. It's a little hard to make that direct connection because by law and the way Congress set up our program, we are funding technology risk which normally commercial lenders would not make.

Ms. DeGette. Right.

Mr. Davidson. So you would expect our portfolio to fare worse.

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The fact that we have a 98 percent success rating, I think, is a testament to the due diligence process we do and the loan monitoring that we continue.

Ms. DeGette. Okay. But nonetheless, you have incurred losses, and so I'm wondering has DOE made changes and improvements in response to those lessons learned?

Mr. Davidson. Thank you for that question.

We certainly have learned -- and I really would like to thank the great work that the GAO and the IG have done. We agree fully with the recommendations that they have made, particularly on the Allison report. What we have done is our policies and procedures, as we go through our due diligence, and as we go through our portfolio monitoring, are very robust, and I believe that's why we have such a high success rate with our loans.

What we have not done, and what we are in the process of doing, is fully documenting our active policies and procedures. So we agree fully. We need to document what we are doing, but we are in the process of putting the documents together.

Ms. DeGette. But the GAO report, you agree with the GAO report, you need to work on documenting?

Mr. Davidson. Exactly. And we were working very closely with those recommendations --

Ms. DeGette. And when you do you expect to have those recommendations?

Mr. Davidson. We are working on them now. We expect to have them within the next few months.

Ms. DeGette. Thank you very much.

Mr. Murphy. Thank you. The gentlelady yields back.

I now recognize Dr. Burgess for 5 minutes.

Dr. Burgess. Thank you, Mr. Chairman. So, again, thanks to our witnesses for being here.

Mr. Davidson, one of the factors we identified as causing problems during the Solyndra investigation was that deadlines seemed to be dictated by outside forces, perhaps something in the stimulus bill or a political deadline, rather than when the loan guarantee was actually ready to close. So the question is what deadlines will govern the review of applications that are being submitted in response to the new loan program solicitations or under the existing ATVM Program?

Mr. Davidson. Thank you, Congressman, for the question. On the timeframe of when we get back to applicants?

Dr. Burgess. Yes, sir.

Mr. Davidson. Okay. Slightly different by our programs. For the 1703 advanced fossil solicitation, which is now our only active solicitation on the 1703 side, we have part 1 and a part 2 application. Part 1, applicants apply to a part 1, and there we see if they meet the four required criteria, which is a new technology or significantly enhanced commercial technology; does it reduce sequestered greenhouse gasses; is the facility located in the United States or its territories; and do they have the ability to pay it back, reasonable prospect of repayment. When applicants submit, our team conducts that part 1 review.

We have only just issued that solicitation. Our first part 1 application date was in February. We had a number of applicants for that part 1, and I can say now, without trying to get into too much detail, because we just don't do that, that those part 1s have now been fully vetted, and many of them are moving into the part 2. And that has now taken us approximately 2 or 3 months for that part 1.

Dr. Burgess. You understand the committee's concern. When reviewing the data around the Solyndra application, it did seem that there were -- you look through the emails back and forth, and it did seem that there were political deadlines that really -- or political pressures that were actually impacting upon the timeline, and you are comfortable at this point that that is not occurring now?

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[10:18 a.m.]

Mr. Davidson. Thank you for that question. I'm very confident that is not occurring now. And I'm currently -- as one of the missions I had when I came in, as I mentioned, I had a real business background, and I think it's very important that you be responsive to applicants. And I think that was an issue we had before. We now are trying to move very quickly to be responsive to all those in our pipeline and all future applicants. We are very focused on quickly turning around part 1s, letting applicants know if they will move into part 2 or will they be out of the process.

Dr. Burgess. There's a semiannual report to Congress from April 1, 2012, from the Office of Inspector General from the Department of the Treasury. In that report, on the Department of Treasury's inspector general's consultation on the Solyndra loan guarantee, Department of Treasury pledged to work with Department of Energy to define the circumstances that constitute a deviation from the material financial terms and conditions of the loan guarantee and Treasury's consultative role.

So has the Department of Energy reached a full understanding with Treasury so that these definitions are now established, and a plan for cooperation and respective roles formulated and made public?

Mr. Davidson. Congressman, I have to say I'm not familiar with that issue, so if it's okay with you, I'll research and get back to you on that.

Dr. Burgess. So do you and Treasury talk?

Mr. Davidson. We have a very robust interagency process. Prior to our loans, we meet with OMB to discuss our deals, and Treasury is invited to that meeting.

Dr. Burgess. With all due respect, the information that this committee and the committee staff uncovered during the Solyndra investigation, it really didn't seem that there was a robust relationship between Department of Treasury and Department of Energy, and really that's what led to some of the concerns that are outlined in this report.

I'm quoting here: "We found that Treasury did perform a consultation on the terms and conditions of the Solyndra loan guarantee. However, whether that consultation met the intent of applicable law and regulation is not clear because Treasury's consultative role was not sufficiently defined."

Have we moved past that point?

Mr. Davidson. Congressman, I can't speak to the time before I was here which that report indicates, but I'm very pleased now with the relationship we have on an interagency basis with both Treasury and the Office of Management and Budget. We meet with them regularly. They are aware of our portfolio.

Dr. Burgess. I would like for you for the record to go back and do this analysis and report, enter in writing for the committee as to how going forward we can maintain that expectation, that the consultation between Energy and Treasury will, in fact, occur the way it was designed to occur.

Mr. Davidson. Okay. We'll look into that.

[The information follows:]

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Dr. Burgess. Thank you.

Chairman Murphy. Thank you.

The gentleman's time is expired. Now recognize Mr. Waxman for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman.

The loan guarantee program is important for a number of reasons. It's creating jobs, it is moving us closer to a renewable energy economy, and it represents a great opportunity to develop technologies to address the clear risks of climate change.

Over the past century we have dramatically increased the amount of carbon we are emitting into our atmosphere. The scientific community has hammered home the point through report after report, warning of what will happen if we do not act to reverse this trend.

We are witnessing in our very own communities the impacts of higher sea levels and more frequent instances of flooding, drought and intense storms. The projects that these loans are supporting, solar and wind farms, nuclear plants, grade integration, these are the energy sources of the future, and they are the most effective way to deal with the issue of climate change because they address the root of the problem, which are, of course, carbon emissions.

Mr. Davidson, how does the loan guarantee program fit into the President's climate action plan?

Mr. Davidson. Thank you for that question, Mr. Chairman. We are a key part of the climate action plan. The President announced the issuance of our $8 billion advanced fossil solicitation as part of the climate plan announcement, and we are seen as a key component of the way to both help fund energy innovation, to work with the private sector, and to help reduce carbon emissions.

Mr. Waxman. Can you give us an idea of the potentially transformational reductions in carbon emissions that these programs will be capable of, and what are we achieving in the projects that are already online?

Mr. Davidson. Thank you for that question. The projects online have adduced a great deal in our solar and wind facilities. One of the things I particularly like to remark upon is with the new nuclear facility, that is avoiding 10 million tons a year of carbon. So there may be controversy about nuclear power, but one of the key areas is extremely effective in reducing greenhouse gas emissions.

The other aspect I think we'd like to talk about, as you mentioned, is the jobs impact in the solar facilities, the utility-scale solar facilities, that we were involved in financing. Those created directly 7,000 jobs in the construction and operation of those facilities. And with the 5 concentrated solar facilities that we built, we've been able to track job creation in 39 separate States across the Union that have participated directly into the supply chain there.

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So it's not only the funding of these projects, but it's the ripple effect for the supply chain, and that is 7,000 for the 10 we've funded. Since we've stopped funding, now that utility-scale solar is a completely bankable industry, more than 10 utility-scale solar facilities have been built, and we think the employment there is equally as large. And as you know, solar now employs over 140,000 people in this country, up from virtually nothing a decade or 2 ago.

Mr. Waxman. So these are programs that are now self-sufficient with private investment, but if we didn't have a loan guarantee program, would the private sector have moved forward without this effort on behalf of the government?

Mr. Davidson. Thank you, Congressman. You never know what could have happened, but the reason Congress established this program was to provide debt financing to those projects which were meretricious, but could not attract financing from a private-sector bank. And that is why we became involved in photovoltaic solar, that's why we became involved with the nuclear industry, and that's why we're hoping to find things in the advanced fossil area can do. There are many things; there are carbon capture and sequestration we feel is a very interesting area, and we're looking forward towards applications in those ways.

Mr. Waxman. Press reports indicate that the EPA will soon announce new standards for carbon emissions from coal-fired power plants. Will the breakthroughs you are helping to fund help meet these goals?

Mr. Davidson. Congressman, as you know, we don't know what those regs will be until they're issued, but to the extent part of it is how do we make coal facilities cleaner, our program is specifically set up for that, for coal operators who would like to install carbon capture and sequestration; our debt financing is available for that, or some of the newer technologies, chemical looping and things of that nature. This is what and one of the reasons the President announced in the climate action plan this $8 billion advanced fossil solicitation.

Mr. Waxman. Well, Mr. Chairman, I think the DOE Loan Programs Office can continue to support break-through technologies that address the threat of climate change, and I fully support their efforts.

I yield back my time.

Chairman Murphy. Gentleman yields back. Now go to Mr. Griffith of Virginia for 5 minutes.

Mr. Griffith. Thank you, Mr. Chairman.

Let me say upfront, I am very pleased to hear you mention chemical looping, because obviously if that works, and the plans are going forward on that, we don't have any capture; we do have sequestration issues, but it eliminates the real need for capture because it comes out with just CO_2. So I am very pleased to hear that that's on the agenda, support good loans being made. I know there's some risk involved.

What I'm really concerned with is to make sure that we are following the laws as it was set up. This is the first time that we've been back, as Ms. DeGette pointed out, since we had a lot of hearings on the Solyndra issue, and I'm curious, because at that time, the last time we had a meeting, the inspector general's office indicated that investigations were still ongoing.

Mr. Hass, can you advise us, are the investigations still ongoing into what happened with Solyndra, and are we expecting any -- or do you know if there's any possible criminal conduct that may have taken place during this time period?

Mr. Hass. I can say that investigations are still ongoing, sir.

Mr. Griffith. They are still ongoing?

Mr. Hass. Yes, sir.

Mr. Griffith. All right. And I was a little vexed by comments made earlier by Mr. Waxman indicating that the hearings had shown that there was no wrongdoing. While -- whether or not there were ever any criminal charges that come out of this, I think there clearly was wrongdoing, and I hope that in the future we'll make sure that the law is actually followed. And I feel compelled to go through a litany of these and ask, have we learned our lessons? Are we still going down this path?

In regard to Solyndra, on December 13, 2010, DOE sends a letter

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to Solyndra advising Solyndra that they are in default. Section 1702(g)(4)(A) indicates, quote, "If the borrower defaults on an obligation, the Secretary shall notify the Attorney General of the default." That is so that under 1702 (2)(g)(4)(B) the Attorney General can be involved in making -- or taking action to make sure that the American taxpayer is protected. In the Solyndra situation that was not done.

If there are defaults, Mr. Davidson, are you all notifying the Attorney General so that the Attorney General's Office can at least be a part of the team in trying to protect the American taxpayers when we try to collect on a loan that may default?

Mr. Davidson. If there is a default pursuant to the law, and we have to get DOJ involved, we do.

Mr. Griffith. Okay. Because that did not happen in the Solyndra situation, and they went on to do a subordination. Furthermore, in regard to subordination, section 1702(d)(3) specifically says, quote, "The obligation shall be subject" -- talking about the loan -- "The obligation shall be subject to the condition that the obligation is not subordinate to other financing."

It goes on in another section to say, "Superiority of Rights," in 1702(g)(2)(B), "The rights of the Secretary, with respect to any property acquired pursuant to a guarantee or related agreements, shall be superior to the rights of any other person with respect to the property." However, the DOE at the time decided that subordination restriction in section 1702(d)(3), referring to Susan Richardson's memo, the subordination restrictions, section 1702(d)(3), is a condition precedent to the issuance of a loan guarantee and not a continuing obligation restricting restructuring options.

Now, I believe it was wrongdoing to come up with that opinion, and, as we know, there was a memo that said, well, this is your best option, but there was never contact with the Department of Justice on making a decision to subordinate. Even though someone at Treasury emailed back and said, we don't think you can do this, I believe it was wrongdoing not to consult with the Department of Justice. I believe it was wrong under the law to do a subordination in that case, and the subordination -- forget the riskiness of the loan of Solyndra, the subordination cost the American taxpayers $170 million, and I believe that was wrongdoing.

Do you believe that those lessons have been learned, or do you all think that you still have an option of subordinating a loan, notwithstanding the clear language of the statute?

Mr. Davidson.

Mr. Davidson. Thank you for the question, Congressman.

Now, I realize this issue of subordination is a very important issue. It's important to you. It's very important to us in the Department. I can say we have absolutely no plans to subordinate any loans in our portfolio.

Mr. Griffith. Well, I hope that you not only have no plans, but I hope that even in a dire circumstance, that if you need authority, you come back to Congress because it clearly is not granted in the Code section.

I'm excited about some of the things that are happening in the energy world. We have had a great resurgence in American energy. Hopefully we can find even more ways to do that, and if this loan guarantee program can move that forward, that's great. I just want to make sure that we're following the law, and that we are not -- after having made a risky investment, and people can argue about whether that was wise or not, that when we find that somebody is in trouble, that we follow the law and we try to protect the American taxpayer at that point in time.

Mr. Chairman, I appreciate it very much, I appreciate the witnesses being here, and I yield back.

Chairman Murphy. Gentleman yields back, and now we recognize the gentleman from Iowa Mr. Braley for 5 minutes, if he's ready.

Mr. Braley. Thank you, Mr. Chairman.

I'm delighted to have the opportunity to be here with the distinguished panel we have in front of us today, and one of the things that I would like to hear a little bit more about is the response to the IG report. One of the things that we'd like to hear a little bit more about in detail is a little bit about the summary of the findings and recommendations from that report that you think have an impact on the work of the committee going forward.

Mr. Davidson. Thank you, Congressman.

The IG report and the GAO report raise some very good points. We are in full agreement on them about ways we can make our policies and procedures even better. As I mentioned, we feel that we have take a number of steps, partly as a result to the -- of the reports.

Some of those I'd like to go into that we've taken, moved ahead on, are we've created the Risk Management Division, which was a key part of the reports, and we've hired a senior credit officer. We've also significantly staffed up that operation. We have tasked the Risk Management Division to prepare separate reports on each one of our credits. We have already been doing that as part of our portfolio management team, but now we have a separate set of eyes on every one of our credits coming out of our Risk Management Division. That began last year. They did half a portfolio. Now every year they will be analyzing all of our loans.

We have updated and strengthened the charters for our two internal oversights boards, the Project Review Committee and our Risk and Portfolio Management Committee. These are now staffed by DOE personnel, but the majority of people on that are non-LPO members. It's a separate set of eyes on all of our transactions and actively

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looking at our portfolio on a biweekly basis. And finally, we've developed a very robust internal electronic system to control our process and procedures and track things.

So these are all part of the recommendations, but they're also just part of our continuing interest in improving, because we're very, very focused on making sure we are really safeguarding taxpayer money. We take that extremely seriously.

Mr. Braley. When people use words like "internal electronic systems," it leaves a lot of us with questions about, what the hell does that really mean? So can you break that down as it relates to the changes in this risk management system in terms of what you're going to be doing differently that would lead to different outcomes than what we had before?

Mr. Davidson. Yeah. Thank you, Congressman, and I don't mean to be vague in what that was.

Mr. Braley. No, no. I'm just -- I'm one of those people who's just innately curious.

Mr. Davidson. Yeah. Thank you.

We've really just been automating our internal systems. We had a generation one. We are now on generation three, and we are planning to roll out generation four. This just allows people from throughout the organization to talk on the same platform about the same credit, so people on our origination team with our risk management team and

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portfolio management are fully impacting together on the same schedule.

Mr. Braley. And is that new system fully functional at this point?

Mr. Davidson. Version three is fully functional, and we're rolling out the next version within the next few months.

Mr. Braley. And one of the things you also identified in your description was that separate reports on each one of your credits were going to be generated as part of this new system. Can you explain that in a little more detail?

Mr. Davidson. Yeah. That's not so much part of that system. That's part of the creation of our Risk Management Division and being able to fully staff up, or more fully staff up, that Risk Management Division. This has always been a goal that's been one of the recommendations. We do extensive portfolio analysis. We have 55 people in our Portfolio Management Division, because when we make a loan, we hold those loans, and we will be monitoring those loans for the next 25 years. That's one of the reasons we're taking the time to make sure when we document our policies and procedures, we do them absolutely correctly, because these really have to stay in place to manage what we do for the next 25 years. So we take that responsibility very seriously.

The -- I lost my train of thought there.

Mr. Braley. Well, let me just move on to a different question, then. When I talk to lenders and I talk to borrowers, one of the things they're always concerned about is the inordinate amount of paperwork associated with the processing of any loan these days, and sometimes the requirements don't make sense at face to the people who are being asked to provide information.

After the S&L crisis, I sold a house, bought a cheaper house, and was required to fill out an affidavit explaining why I was buying a house cheaper than the one I just sold. It didn't make a lot of intuitive sense to someone whose parents grew up in the Depression.

So as we're looking at how you're providing oversight and underwriting guidance, are you looking at ways to make sure that the oversight that's being -- and the underwriting criteria make sense for the type of risk that's being underwritten?

Mr. Davidson. Thank you, Congressman, for that question.

We take that very seriously. That is the whole reason we do such extensive due diligence. I think the GAO has mentioned that our due diligence is as extensive, if not more extensive, than what happens in the private sector.

Mr. Braley. Thank you. I'll yield back.

Chairman Murphy. Gentleman's time has expired.

Recognize Mr. Johnson for 5 minutes.

Mr. Johnson. Thank you, Mr. Chairman, and I'd like to thank our panel for joining us today, as well. Thank you, gentlemen, for being here.

Mr. Davidson, at the time of the stimulus, the credit markets for energy projects were in rough shape. Your project finance people pay close attention to credit market conditions; is that correct?

Mr. Davidson. Correct.

Mr. Johnson. So what is the current condition of credit markets?

Mr. Davidson. I'm not an economist, so take that, what I say, with that caution in mind. But just reading the paper, credit markets have gotten better than they were certainly in 2009 and early into 2010.

Mr. Johnson. But, obviously, if your Department is paying close attention to those, your team knows that that improvement has occurred.

Has the availability of private financing for clean-tech projects improved since 2009?

Mr. Davidson. That's a very interesting question, Congressman. Thanks for asking it.

In certain segments it has improved, but, for instance, as I've mentioned a few times, we made the first loans to the utility-scale solar industry. At that time, developers -- and some of these were very big-named developers putting hundreds of millions of dollars into projects -- they could not arrange commercial bank financing. We made those loans, and then we stopped making those loans.

Mr. Johnson. But I'm not talking about what you did during the stimulus. We understand that. I'm talking about since 2009 through today, have those credit markets for clean-tech projects improved?

Mr. Davidson. For some segments of the clean-tech market, they have. For others, it is still difficult.

Mr. Johnson. Okay. So how does that credit market improvement change the role of the DOE loan programs and the type of projects that it supports?

Mr. Davidson. Yeah. Well, thank you, Congressman. I know you are concerned, as we are very concerned, that we make the loans to the right type of companies that need it, and they're not just coming to us for lower-cost financing. We take the issue of making sure that the projects we fund are ones that would find it very difficult, if not impossible, to raise financing from a commercial source.

The first alternative is always for a project to go to a commercial lender. If the project sponsor finds that is not possible, they come to us. We do not go out to anybody. We put out a solicitation, and we can only deal with applicants if they respond to a solicitation.

Mr. Johnson. Well, therein lies part of the concern that I have and that many of my colleagues, many of my constituents have. If a project goes out to the private sector markets, and they cannot find funding -- I'm a patent holder, and I have struggled with trying to raise money for tech projects myself. And so if they go to the private markets and they can't get the money, what kind of additional due diligence does your Department do to determine that taxpayer funding should be spent on something that the credit markets say might not be a worthy project?

Mr. Davidson. Thank you. That is an excellent question. It's one we spend a great deal of time thinking about.

Maybe to give some comfort is we will not look at a project unless it's brought to us by a sponsor that is committing at least 20 percent by law, but in reality it's always closer to 30 percent of real equity dollars in the project.

Mr. Johnson. Uh-huh.

Mr. Davidson. So someone has to come to us with a project that 20 percent at least is already equity funded, and all the other parts of the project have to be in place.

Mr. Johnson. Okay.

Mr. Davidson. For instance, we do a great deal of electricity-generation projects. There has to be an off-take agreement in place. There has to be equity in place. There has to be regulatory approval in place.

Mr. Johnson. Mr. Rusco, how would you respond to those questions? Has the private markets and credit markets improved, and do you believe that should change the way the DOE loan programs should work?

Mr. Rusco. Yes. The financial markets have largely recovered from their collapse during the -- in the run-up to the recession. I do think that that should be an important consideration.

I think that there is an inherent problem with the way that the 1703 program is set up in that innovative projects that come there are required to pay their credit subsidy costs for innovative projects. The less viable they are in the market, the higher the risk is; therefore, the higher the credit subsidy costs are. And I'm concerned that may be a deterrent to the program actually being effective in meeting its goals.

Mr. Johnson. Okay. I have one more question and just a short time. Do you have any loan programs that you're anticipating granting loans for this year? If so, when do you anticipate granting your next loan program?

Mr. Davidson. Well, we've issued -- the current active solicitation is an advanced fossil. We issued that in December. The first application gate or window for that was in February, a few months ago. We received a number of applicants. We are moving those through our system. We have a part 1 and a part 2. Sometimes the part 2 system, because it involves very thorough due diligence, can take anywhere from 6 months to -- in the case of the Vogel transaction, that took over 5 years.

Mr. Johnson. So --

Chairman Murphy. Gentleman's time has expired.

Mr. Johnson. Okay. I yield back, Mr. Chairman.

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Chairman Murphy. I now recognize Mr. Tonko for 5 minutes.

Mr. Tonko. Thank you, Mr. Chair.

I think that it's important that we set the record straight of the committee's investigation of the Solyndra loan. I was not part of the Energy and Commerce Committee at the time of the investigation, but there has been exhaustive review of the committee report and the record. And we reviewed over 300,000 pages of documents, issued multiple subpoenas, conducted over a dozen interviews and had four hearings.

The evidence clearly demonstrated that loan guarantee decisions were made on merits. The committee found no evidence that loan guarantee decisions were influenced by political contributions or political considerations. There was a robust debate within the administration about the Solyndra loan, and decisions were made that ultimately turned out to be the wrong ones. But, Mr. Chair, the committee's investigation found no evidence of wrongdoing by administration officials with regard to the Solyndra loan.

With that being said, DOE's support of the American auto industry through the Advanced Technology Vehicles Manufacturing Loan Program has resulted in a number of significant success stories. Director Davidson, as you mentioned in your testimony, DOE's support of Tesla helped to create thousands of jobs in California, and the company repaid the entire remaining balance on its loan 9 years earlier than required.

Other auto manufactures like Ford have modernized factories and produced new, advanced engines with DOE's support.

I'd like to learn more today about the ATVM program and the innovative new technologies that it is helping to produce. So, Director Davidson, what is the purpose of the ATVM program?

Mr. Davidson. Thank you very much, Congressman.

ATVM, the purpose of the program is to assist manufacturing for OEMs and suppliers in the country to help achieve the efficiency targets, to help boost fuel efficiency. The goal is increasing fuel efficiency for lightweight vehicles, and we do that by providing support for the manufacturing facilities for car makers and component makers.

Mr. Tonko. So we're creating a better product and more in keeping with the consumer's demand?

Mr. Davidson. It's very focused on -- it's a resource to help build the manufacturing capability in the United States. So for Ford we retooled 13 facilities; Nissan, we brought in production, which had been happening in Japan, we brought it to Tennessee; and Tesla retrofitted a whole factory. That's why we think there's -- there will be real interest in the program going forward, more on the side of the suppliers, component suppliers and component manufacturers. We have been hearing a great deal from them about interest in the program since Secretary Moniz made an announcement at a supplier convention last month that the program was open for business.

Mr. Tonko. Well, in my district, and I'm certain in districts across America, congressional districts across America, the number one issue is jobs. How many jobs have you quantified to have been helped by the ATVM program? How many have we helped to create?

Mr. Davidson. The number we use, and a lot of these numbers come from Ford, which is the number one recipient of the money there, is 35,000 jobs have been created or been sustained as a result of that.

Mr. Tonko. And how many -- is there a cluster of States that might have seen the majority of those jobs?

Mr. Davidson. The majority of it has been in California, certainly for Tesla; and then the Ford was really up in the Midwest in upstate New York, Michigan, Ohio, around there.

Mr. Tonko. Uh-huh.

What recent steps has the Department taken to revitalize and improve the ATVM program?

Mr. Davidson. Yeah. Well, as I mentioned, the Secretary made an announcement that the program is back up and open for business, so there is $16 billion remaining, really for helping companies come in. What we have been hearing is because the auto industry is doing well now, there are a number of suppliers, component suppliers, overseas suppliers, that are looking to possibly build facilities elsewhere; it might be in the United States, it might be in Mexico or Canada. And as they look at moving to the United States, we think this could be a real resource to help them make the decision to locate and bring those jobs and investment to the United States.

Mr. Tonko. And the whole move to retrofit and move into advance manufacturing, which is the current MO, I believe, by many, how has the ATVM program helped to support American manufacturing?

Mr. Davidson. The whole purpose is how can we retrofit facilities, build facilities, and do the software and engineering integration. That is financeable by this program, the engineering, to really help aid in manufacturing.

Mr. Tonko. And the GAO has raised concerns about whether there is demand for ATVM loans. And in April, as you indicated, Secretary Moniz announced improvements to the ATVM program. Can you build upon, you know, give us more information on some of those improvements?

Mr. Davidson. Yeah. Thank you for that.

As the chairman mentioned, not many loans have been made. I'm pleased to say there is one active loan in the portfolio now, so we're working on that one very diligently. And since the Secretary has made his announcement, and since we've been actively talking with the supplier sector and the OEMs, we are finding there is real interest.

There was a certain amount of confusion before about whether suppliers could apply, the type of things that would be required. We've been able to clarify them -- that for them, and we are out speaking and communicating. We've had a number of meetings, and we are cautiously optimistic that there will be interest, and we will be seeing if loan applications come in within the next few months.

Chairman Murphy. We're out of time.

Mr. Tonko. Well, I would think that as we push in innovation economy, the new technologies, groundbreaking new technologies, are essential. So I thank you for what the program is doing, and I yield back.

Thank you, Mr. Chair.

Chairman Murphy. Thank you, Mr. Tonko.

I now recognize Mr. Harper for 5 minutes.

Mr. Harper. Thank you, Mr. Chairman, and thank each of you for being here.

And, Mr. Davidson, I'd like to start with you. And what I would ask, I probably would ask Mr. Rusco to follow up with, on your thoughts on this question. You know, as we look at the program, try to figure out where it's going, I believe there's, what, $16 billion left in the program, is that correct, roughly?

Mr. Davidson. Congressman, there's 16 billion on the auto side, the ATVM program.

Mr. Harper. Sixteen billion.

Mr. Davidson. In the energy program, 1703, there's 28 billion remaining.

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Mr. Harper. Okay. Great.

If you look at the existing ATVM program that you just talked about, you know, you see established automobile manufacturers such as Ford and Nissan, and you see companies that are or were startups comparatively, Tesla, Fisker and the Vehicle Production Group. So it almost appears to be two different types of projects. So can you elaborate what criteria you used to determine eligibility for the ATVM program?

Mr. Davidson. Thank you, Congressman, for that question, and I'm happy to respond and talk more about ATVM.

It's not my criteria, first of all; it's the criteria that Congress provided for what we can do. And that is, it is to assist in funding a manufacturing facility, either the new build, or a rehabilitation, or a reequipping of a facility, that is either making the car, light vehicle -- making the car or making the component that will achieve -- will be a part of an advanced vehicle.

An advanced vehicle is defined as a light vehicle that is 25 percent more fuel efficient than the comparable car was in 2005. So if you can contribute to that fuel efficiency, you are then a designated component or a designated auto supplier, and if you're building a facility or reequipping a facility, we can finance you.

Mr. Harper. All right. You know, just from recent statements from the Secretary, it appears that maybe the program goals are changing. Can you elaborate? Are the goals changing? Are they --

Mr. Davidson. Thank you for that question.

The goals aren't changing. It's really a communication to the industry, because this is really a program to assist industry. And the communication to the industry was that suppliers, component suppliers, are very welcomed and encouraged to apply.

Mr. Harper. Right.

Mr. Davidson. The suppliers were in very tough shape 4 or 5 years ago, as the whole auto industry was. Now, as we're doing very well in auto assembly for the OEMs, there seems to be real demand from the supplier base. And as I mentioned, many of the suppliers are thinking of relocating to the United States. We'd like to help them to make that decision to relocate here.

Mr. Harper. Thank you, Mr. Davidson.

Mr. Rusco, your comments on what I've just asked Mr. Davidson as far as the ATVM loans are concerned.

Mr. Rusco. Well, I think there is some concern about whether there is a demand out there, and part of the concern is -- comes from our conversations with the applicants, former applicants of the original solicitations. Many of the applicants that we spoke with said that the -- there were requirements, and the length of time it takes to get through this process are just not worth it, and they were not interested in pursuing those.

So, you know, I don't know what's going to happen in the future, and I know that DOE is trying to rejuvenate this program, but so far there has not been a lot of actual interest. There's only one active loan.

Mr. Harper. Okay. Mr. Rusco, GAO has recommended that unless DOE demonstrates demand for new ATVM loans, Congress should consider ending the program. Is that correct?

Mr. Rusco. Yes. We think that unless there is a demand that can be demonstrated for these loans, that Congress may wish to rescind some or all of the remaining credit subsidy money and use it elsewhere.

Mr. Harper. Mr. Davidson, are there any additional active ATVM loan applications, since the one for $200 million reported by GAO in March of this year?

Mr. Davidson. Congressman, that is the only active one in the portfolio. I'd like to mention, the Secretary made the major announcement at the supplier event. That was just a little over a month ago.

Mr. Harper. Okay.

Mr. Davidson. Since that time we've been -- I'm the person having meetings, having a number of very interesting meetings with people that I believe will be applicants in the relatively near term.

Mr. Harper. But no active at this point since that time.

And so we've only got just a few seconds, but how do you do your outreach to automobile manufacturing companies? How are you contacting them to determine if they're eligible, or have interest, or create interest?

Mr. Davidson. Excellent question, Congressman. And because the program has been fairly quiet for the last few years, that is an issue we are working with, and it's all the ways we try and do communication. We're trying to staff up to hire the right people, going to industry events, and we're doing things like the Secretary, communicating very publicly that we're open for applications.

Mr. Harper. When you said you had some that were interested that you're looking at, if you're talking about, let's say, you go talk to 10 different potential companies, how many of those express interest? How many would you say on average might flatly refuse or reject that?

Mr. Davidson. Well, if they're talking to me, they're already interested.

Mr. Harper. Yeah, but you have some that are not interested; you have some that are. Fair?

Mr. Davidson. Correct.

Mr. Harper. I yield back.

Chairman Murphy. The gentleman yields back.

I recognize Ms. DeGette for a follow-up question.

Ms. DeGette. Thank you very much.

Mr. Chairman, I know Mr. Tonko talked about those Solyndra hearings that we had in 2011 and 2012, and he wasn't on the committee, but I was, and, in fact, I was the ranking member of the committee. We had 300,000 pages of documents, subpoenas, interviews, four hearings that went on and on, and we never did find evidence of wrongdoing. It was clear that the loan guarantee decisions were made on the merits, but as Mr. Davidson said today, you know, the reason we have loan guarantees is because we want to encourage this type of investment, and it is, by nature, risky.

And I just also want to thank the witnesses for coming today. And I want to comment that I was pleased to see, number one, that DOE is recognizing -- that number one, they're under the losses that Congress had predicted and anticipated when we passed the loan guarantee program back under the Bush administration, but also that they're implementing the recommendations of the GAO.

I look forward to hearing how that implementation goes, because I think that's important. And I yield back.

Chairman Murphy. Thank you.

Another follow-up question. Mr. Hass, you've been quiet. We haven't been asking you a lot, but I want to ask you this: You've had an opportunity to learn extensively the testimonies from Mr. Davidson and Mr. Rusco here, but also with the GAO report and analysis of what had taken place, are you satisfied that the changes you've recommended, that GAO has recommended have been put into place at the Department of Energy for this loan program?

Mr. Hass. Well, sir, I will say that we have seen a lot of progress over the years from our evaluation, and a lot of things are still ongoing. We can't say that we are 100 percent successful, but it looks like there's a lot of movement.

Now, as part of our -- in response to our last reports we recently issued, the Department will be providing a matrix that will set out an exact timetable or when they expect to have all of the recommendations resolved, and we should be getting that soon as part of our normal process.

Chairman Murphy. And then will you continue to follow up with them, so you'll present the matrix, and you'll continue to monitor that to see that those plans are being put into place?

Mr. Hass. Yes, sir, especially with the long nature of the loans, as you've mentioned, and the large value. They're an important part of our risk assessment we do every year. We have plans in place to conduct some additional work this year and in the coming year.

Chairman Murphy. I thank you, and I thank the panel. And I ask unanimous consent that the Members' written opening statements be introduced into the record, and, without objection, the documents will be entered into the record.

[The information follows:]

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Chairman Murphy. And in conclusion, again, thank all the witnesses, all the Members that have participated in today's hearing. I remind Members they have 10 business days to submit questions for the record, and I ask that the witnesses all agree to respond promptly to the questions.

[The information follows:]

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Chairman Murphy. With that, this hearing is adjourned.

[Whereupon, at 10:58 a.m., the subcommittee was adjourned.]