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ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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June 25, 2014

The Honorable Peter W. Davidson
Executive Director
Loan Program Office
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Davidson:

Thank you for appearing before the Subcommittee on Oversight and Investigations on Friday, May 30, 2014, to testify at the hearing entitled "Department of Energy Oversight: Status of Loan Programs."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

Also attached are Member requests made during the hearing. The format of your responses to these requests should follow the same format as your responses to the additional questions for the record.

To facilitate the printing of the hearing record, please respond to these questions and requests with a transmittal letter by the close of business on Wednesday, July 9, 2014. Your responses should be mailed to Brittany Havens, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515 and e-mailed in Word format to brittany.havens@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Tim Murphy
Chairman
Subcommittee on Oversight and Investigations

cc: Diana DeGette, Ranking Member, Subcommittee on Oversight and Investigations

Attachments

Attachment 1—Additional Questions for the Record

The Honorable Tim Murphy

1. What is the estimated cost of the 5 defaults and what does that represent as a percentage of the \$5.2 billion in credit subsidy appropriations that has been used?
2. DOE has had loans and guarantees since 2009 and most of its \$30 billion portfolio had been made by 2011. DOE plans to expand that portfolio significantly; however, according to concerns expressed in the recent GAO report, DOE still does not have a fully-developed organization structure or assurance that it is completing critical loan monitoring functions. Why has it taken so long to establish a complete monitoring program and when will DOE complete the actions recommended by GAO?
3. According to information provided to staff, the Loan Program Office has 83 federal staffers. At the height of the stimulus spending, in 2011, it had about 90 employees. It appears that you have roughly the same number of employees as DOE had when processing stimulus applications. Please describe how the employee functions have changed as the office transitioned from reviewing and approving the project finance deals to monitor the portfolio?
4. Mr. Davidson: In DOE's FY2015 budget presents the program's administrative operations at \$42 million dollars. Yet the budget request for the Loan Program is \$7 million dollars, because of offsetting receipts, which appear to be from the program participants.
 - a. Explain the source of these receipts and how they are calculated?
 - b. What happens to offsetting receipts once DOE stops issuing new loans and loan guarantees?
 - c. What future additional funding may become necessary for Congress to consider if future receipts decline?
5. What is the number and role of outside contractors in reviewing applications or monitoring the portfolio?
 - a. Are contractors subject to the Department's policies and procedures?
 - b. Has DOE completed any kind of analysis or validation of the reports being provided by outside contractors to determine if they are accurate, thorough, or useful?
6. Why did DOE choose to sell the defaulted loan notes for Fisker and VPG when it did? Could DOE have recouped more money if it had instead foreclosed on the loan and sold Fisker?
7. At present, DOE has about \$12 billion allotted to additional advanced nuclear loan guarantees. What are DOE's plans for using that remaining authority?

- a. You mention in your testimony that supporting Vogtle is facilitating the broader deployment of new advanced nuclear reactors in the United States. Do you have pending nuclear related loan applications?
- b. What analyses about the prospects for new nuclear development in the United States have you taken into account for your planning concerning the nuclear related loans?

The Honorable Gene Green

1. In the most recent solicitation 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, recover, and produce traditional fossil energy resources with reduced greenhouse gas emissions.” Just for clarification, an eligible project could involve either hydraulic fracturing as a technology or natural gas as a traditional resource, correct?
2. Under the ATVM program, Secretary Moniz has stated the Department of Energy would specifically reach out to component manufacturers. Has DOE reached out to similar technology companies in the hydraulic fracturing sector?
3. Finally, in Texas, our refining industry produces petroleum coke. In my district of East Harris County, we have lots of it. Thus far, we have exported that product to other countries. Would the Loan Program consider a project that included petroleum coke as an “eligible project,” if it were to receive an application? Why or why not?
4. I also want to ask about the ‘Areas of Improvement’ mentioned in the Independent Review conducted at the request of the White House. The Inspector General (IG) released their most recent audit report in May 2014. In that report, the IG stated that the Department of Energy had made significant progress on four of the twelve recommendations made by the Independent Review. However, the Department of Energy took issue with this and said that DOE had made significant progress on six of the twelve recommendations. Can you explain why DOE believed there was a discrepancy?
5. In this committee, we’ve heard testimony from Secretary Moniz and others about the FY2015 budget request. DOE has been under constant budgetary pressure since FY2011 and has had to continue operations under these constraints. Many of the risks cited by the IG and GAO were related to staffing and rulemaking. Can you give us a sense of what effects budgetary constraints and hiring freezes have had on implementation and staffing issues in the Loan Programs Office?
6. A lot has been made of DOE’s alleged mismanagement of the Loan Program. However, according to GAO, participants from industry stated that their main concerns were not mismanagement but burdensome applications and lengthy review timeframes. As you know, businesses looking to invest in new technology or infrastructure need investment certainty. Industry builds in extra time because they know that dealing with the government will not be an expedited process. But in some cases, even the extra time isn’t enough to meet development requirements. Do you believe this uncertainty has led businesses to shy away from the loan

guarantee program because DOE is too slow or risk averse? What has your office done to provide more certainty to applicants?

Attachment 2—Member Requests for the Record

During the hearing, Members asked you to provide additional information for the record, and you indicated that you would provide that information. For your convenience, descriptions of the requested information are provided below.

The Honorable Tim Murphy

1. Two years ago this committee asked the Department of Energy to submit a list of projects that applied for loan guarantees. Please provide a list of the active loan guarantee applications that are still in the queue.

The Honorable Marsha Blackburn

1. Please describe how the Loan Programs Office monitors their portfolio of 33 loans that total roughly \$30 billion. Please explain what specific benchmarks and components you look for in your due diligence.

The Honorable Michael C. Burgess

1. During the hearing, I referenced a semiannual report dated April 1, 2012, to Congress from the Office of Inspector General at the Department of the Treasury. In that report, the Department of Treasury's Inspector General's consultation on the Solyndra loan guarantee, Department of Treasury pledged to work with the 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. 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 have been formulated and made public?
2. Please explain how going forward, we can maintain the expectation that the consultation between the Department of Energy and the Department of Treasury will, in fact, occur the way that it was designed.

The Honorable Gene Green

1. Please provide the Committee with the number of applicants.