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United States Government Accountability Office
Washington, DC 20548

March 15, 2013

The Honorable Dianne Feinstein
Chairman
The Honorable Lamar Alexander
Ranking Member
Subcommittee on Energy and Water Development
Committee on Appropriations
United States Senate

The Honorable Rodney P. Frelinghuysen
Chairman
The Honorable Marcy Kaptur
Ranking Member
Subcommittee on Energy and Water Development,
and Related Agencies
Committee on Appropriations
House of Representatives

Subject: *Department of Energy: Status of Loan Programs*

The Department of Energy's (DOE) Loan Guarantee Program (LGP) for innovative energy projects was established in Title XVII of the Energy Policy Act of 2005 to encourage early commercial use of new or significantly improved technologies in energy projects.[1] The act—specifically section 1703—originally authorized DOE to guarantee loans for projects that (1) use new or significantly improved technologies as compared with commercial technologies already in service in the United States and (2) avoid, reduce, or sequester emissions of air pollutants or man-made greenhouse gases.[2] Subsequently, in December 2007, Congress enacted the Energy Independence and Security Act (EISA), which made the nation's corporate average fuel economy standards for newly manufactured passenger vehicles more stringent by requiring significant increases in the fuel economy of the vehicles being sold in the United States by 2020. In addition, EISA established the Advanced Technology Vehicles Manufacturing (ATVM) loan program, which provides loans for projects to produce more fuel-efficient passenger vehicles and their components.

DOE's Loan Programs Office administers both programs, which when combined have about $51 billion in unused loan and loan guarantee authority and approximately $4.4 billion in

[1] Pub. L. No. 109-58, Title XVII (Aug. 8, 2005).
[2] In February 2009, Congress passed the American Recovery and Reinvestment Act, which amended Title XVII by adding section 1705 as a temporary program for the rapid deployment of renewable energy and electric power transmission projects, as well as leading-edge biofuels projects. The authority to enter into loan guarantees under 1705 expired on September 30, 2011. Pub. L. No. 111-5 (Feb. 17, 2009).

unused credit subsidy appropriations.[3] For the LGP, $34 billion in loan guarantee authority and $170 million in credit subsidy appropriations remain. For the ATVM loan program, $16.6 billion in loan authority and $4.2 billion in credit subsidy appropriations remain. DOE has not closed on a loan or loan guarantee or conditionally committed to do so under either program since September 2011.[4]

We have an ongoing mandate under the 2007 Revised Continuing Appropriations Resolution to review DOE's execution of the LGP and to report our findings to the House and Senate Committees on Appropriations. Because DOE is administering the LGP and ATVM programs through one Loan Programs Office, we included both programs in this review. This report formally transmits the enclosed briefing slides that we provided to your offices on February 15, 2013 (see encl. I). Our objectives for this report were to determine the status of DOE's efforts to use the remaining loan and loan guarantee authorities and remaining credit subsidy appropriations for (1) the LGP and (2) the ATVM loan program, including selected applicant views on these efforts.

To address these objectives, we reviewed the LGP's and ATVM loan program's legislative and regulatory histories, status of current and past applications to both programs, and remaining loan authorities and credit subsidy appropriations of both programs. We also reviewed reports on the LGP and ATVM loan program, including our prior work.[5] To provide additional perspective and context, we interviewed DOE officials about their plans and schedule for making and guaranteeing additional loans and about the reliability of agency-supplied data.[6] We also interviewed nine LGP applicants, as well as five ATVM loan program applicants and other auto manufacturers, about their views of and experience with the programs. We selected the LGP applicants based on the active status of their applications,[7] ensuring representation from each sector. Because there are no active ATVM applications, we selected applicants and auto manufacturers based on their eligibility to apply, ensuring that we included current, former, and prospective applicants.

We conducted this performance audit from June 2012 to March 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, as of January 29, 2013, DOE was considering using $15.1 billion of the $34.8 billion in remaining loan guarantee authority for loan guarantees requested by 13 active LGP applications.[8] According to DOE officials, the agency planned to use all of the remaining

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[3] Credit subsidy appropriations are to cover credit subsidy costs—that is, the government's estimated net long-term cost, in present value terms, of direct or guaranteed loans over the entire period the loans are outstanding (not including administrative costs).

[4] A conditional commitment is a commitment by DOE to issue a loan guarantee if the applicant satisfies specific requirements. The Secretary of Energy has the discretion to cancel a conditional commitment at any time for any reason prior to the issuance of a loan guarantee.

[5] GAO, *Department of Energy: New Loan Guarantee Program Should Complete Activities Necessary for Effective and Accountable Program Management*, GAO-08-750 (Washington, D.C.: July 7, 2008). GAO, *Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program*, GAO-10-627 (Washington, D.C.: July 12, 2010). GAO, *Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed*, GAO-11-145 (Washington, D.C.: Feb. 28, 2011).

[6] Based on these interviews, we found the data sufficiently reliable for the purposes of our work.

[7] Active applications are those that DOE is actively considering. In contrast, inactive applications are on hold for various reasons.

[8] The remaining loan guarantee authority amount of $34.8 billion includes DOE's estimate of $848 million in additional loan guarantees that can be supported by the $170 million in credit subsidy appropriations.

$170 million in credit subsidy appropriations to support active applications for energy efficiency and renewable energy projects. DOE considered an additional 27 LGP applications requesting a total of $73 billion to be inactive. The loan guarantee authority and credit subsidy appropriations do not expire.

In addition, as of January 29, 2013, DOE was not actively considering any applications for using the remaining $16.6 billion in loan authority or $4.2 billion in credit subsidy appropriations available under the ATVM loan program. DOE considered the seven ATVM loan program applications it has, requesting a total of $1.48 billion, to be inactive for reasons including insufficient equity or technology that is not ready. Most applicants and manufacturers we spoke with told us that, currently, the costs of participating outweigh the benefits. Although the ATVM loan program is accepting applications on an ongoing basis, according to DOE officials, DOE is not likely to use the remaining ATVM loan program authority given the current eligibility requirements. As with the LGP, the loan authority and credit subsidy appropriations for ATVM do not expire. See table 1 for more detailed information about the status of DOE's efforts to use the remaining loan or loan guarantee authorities for the LGP and ATVM loan program.

Table 1: Potential Use of Remaining Authorities, by Active Applications

Dollars in billions

Program/Technology category	Remaining authority	Active applications: Number	Active applications: Amount requested	Difference in remaining authority and amount requested in active applications
LGP				
Energy efficiency and renewable energy	$2.3 [a]	8	$2.0	$0.3
Nuclear generation	$18.5	3	$8.3	$10.2
Nuclear front-end	$2.0	1[c]	$2.0	$0.0
Fossil energy	$8.0	1	$2.8	$5.2
Mixed[b]	$4.0	0[c]	$0.0	$4.0
Total	**$34.8**	**13**	**$15.1**	**$19.7**
ATVM	**$16.6**	**0**	**$0.0**	**$16.6**

Source: GAO analysis of DOE data.

[a] This amount represents the combined authority of $1.5 billion in loan guarantee authority and DOE's estimate of $848 million in additional loan guarantees that can be supported by the $170 million in credit subsidy appropriations.
[b] The mixed authority could be used for any of the loan guarantee categories.
[c] DOE notified Congress that, in order to accommodate more than one project, it expected to use $2 billion of the mixed authority for nuclear front-end projects. A final decision regarding which authority would be used for a specific transaction would only be made if and when the authority is obligated at closing.

For additional information on the results of our work, see enclosure I, slides 13 through 24. We are making no recommendations in this report.

Agency Comments

We provided a draft of this report to DOE for review and comment. DOE provided written comments, which are reproduced in enclosure II. In its written comments, DOE generally agreed with GAO's findings. DOE also provided technical comments that were incorporated, as appropriate.

We are sending copies of this report to the Secretary of Energy, the appropriate congressional committees, and other interested parties. This report also is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff members have questions concerning this report, please contact me at (202) 512-3841 or ruscof@gao.gov . Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Karla Springer, Assistant Director; Marcia Carlsen; Lee Carroll; Cindy Gilbert; Ryan Gottschall; Cynthia Norris; Madhav Panwar; Lindsay Read; and Barbara Timmerman.

Frank Rusco
Director
Natural Resources and Environment

Enclosures (2)

Status of DOE Loan Programs

Briefing to Appropriations Committees
February 2013

For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov

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Introduction

- The Department of Energy's (DOE) Loan Programs Office administers the Title XVII Innovative Technology Loan Guarantee Program (LGP) and Advanced Technology Vehicles Manufacturing (ATVM) loan program.

- The LGP, as authorized under Title XVII of the Energy Policy Act of 2005 (EPACT), encourages early commercial use of new or significantly improved technologies in energy projects. Under LGP, DOE agrees to reimburse lenders, either the Federal Financing Bank or private lenders, for the guaranteed amount of loans if the borrowers default.

- The ATVM loan program, as authorized under section 136 of the Energy Independence and Security Act of 2007 (EISA), provides loans to support the development of advanced technology vehicles and associated components in the United States that would increase the fuel economy of U.S. passenger vehicles.

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Introduction (cont.)

- EPACT requires that the credit subsidy costs of loans and loan guarantees be paid for by either appropriations or the borrowers. Credit subsidy costs represent the estimated net long-term cost of extending or guaranteeing credit, in present value terms, over the entire period the loans are outstanding (not including administrative costs).
- As of January 2013, LGP and the ATVM loan program combined had about $51 billion in unused loan and loan guarantee authority and approximately $4.4 billion in unused credit subsidy appropriations.
  - For the LGP, $34 billion in loan guarantee authority and $170 million in credit subsidy appropriations remained. The LGP's authorities are divided into four technology categories: energy efficiency and renewable energy (EERE), nuclear generation, nuclear front-end, [1] and fossil energy. There is also a mixed authority that may be used for projects in any of the four categories.
  - For the ATVM loan program, $16.6 billion in loan authority and $4.2 billion in credit subsidy appropriations remained.
- DOE has not closed on a loan or loan guarantee or conditionally committed to do so under either program since September 2011.

[1] Nuclear front-end projects are to accelerate deployment of new uranium enrichment capacity and distribution.

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Objectives

- This final briefing responds to our ongoing mandate in the 2007 Revised Continuing Appropriations Resolution that directs GAO to review DOE's execution of the LGP and to report our findings to the House and Senate Committees on Appropriations.
- Because DOE is administering the LGP and ATVM programs through one Loan Programs Office, we included both programs in this review.
- Our objectives for this review were to determine the status of DOE's efforts to use the remaining loan or loan guarantee authorities and remaining credit subsidy appropriations for (1) the LGP and (2) the ATVM loan program, including selected applicant views on these efforts.

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Scope and Methodology

To do this work, we

- Reviewed the LGP's and ATVM loan program's legislative and regulatory histories, status of current and past applications to both programs, and remaining loan authorities and credit subsidy appropriations of both programs.
- Interviewed DOE officials about their plans and schedule for making and guaranteeing additional loans and about the reliability of agency-supplied data.[2]
- Interviewed nine LGP applicants, as well as five ATVM loan program applicants and other auto manufacturers, about their views of and experience with the programs to provide context to DOE's plans and schedule. We selected the LGP applicants based on the active status of their applications,[3] ensuring representation from each technology category. Because there are no active ATVM applications, we selected applicants and auto manufacturers based on their eligibility to apply, ensuring that we included current, former, and prospective applicants.
- Reviewed reports on the LGP and ATVM loan program, including our prior work.

[2]Based on these interviews, we found the data sufficiently reliable for the purposes of our work.

[3]Active applications are those that DOE is actively considering. In contrast, inactive applications are on hold for various reasons.

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Scope and Methodology (cont.)

- We conducted this performance audit from June 2012 to February 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Background: Title XVII Innovative Technology Loan Guarantee Program (LGP)

- The LGP has two components authorized under different laws:
  - **Section 1703 – Renewables or Efficient End-Use Technology Innovative Technology Loan Guarantee Program (1703):** Section 1703 of EPACT authorizes DOE to provide loan guarantees for innovative clean energy projects in categories including renewable energy systems, energy efficiency, advanced nuclear facilities, advanced fossil energy technologies (including carbon sequestration), and various other types of projects.
  - **Section 1705 – Temporary Loan Guarantee Program (1705):** Section 406 of the American Recovery and Reinvestment Act of 2009 (Recovery Act) amended the LGP's authorizing legislation by establishing section 1705 as a temporary program for the rapid deployment of renewable energy and electric power transmission projects, as well as leading-edge biofuels projects. The authority to enter into loan guarantees under 1705 expired on September 30, 2011.

Background: LGP 1703 Program

- Under the 1703 program, DOE is authorized to guarantee approximately $34 billion in loans.
- Initially, Congress provided no appropriation to cover the credit subsidy costs of loan guarantees under section 1703, requiring all borrowers that receive a loan guarantee to pay a fee to cover the credit subsidy costs.
- In April 2011, Congress appropriated $170 million to pay credit subsidy costs for EERE projects receiving loan guarantees under section 1703. Congress later provided that DOE may combine an appropriation and fees paid by the borrower to cover the credit subsidy cost of a guarantee, allowing DOE to potentially provide credit subsidy support to a larger number of EERE projects.
- To date, DOE has not made a loan guarantee under the 1703 program.

Background: LGP 1705 Program

- The Recovery Act provided about $2.4 billion in appropriations for the 1705 program to cover DOE's credit subsidy costs for an estimated $18 billion in loan guarantees.[4]
- DOE made approximately $15 billion in loan guarantees for 28 projects under the 1705 program, using nearly $1.9 billion in appropriations to cover credit subsidy costs.
- The remaining approximately $550 million in LGP Recovery Act appropriations were rescinded at the end of 2012, in accordance with the repayment provisions of section 1306 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, except for $96 million for which the President waived the repayment provisions on December 28, 2012. DOE officials told us that they anticipate they will need the maintained funds to pay the credit subsidy costs of modifications that may be made to existing loan guarantees issued under section 1705.[5]
- Because authority to enter into loan guarantees under section 1705 expired, DOE cannot guarantee any additional loans under this program.

[4] The Recovery Act initially appropriated nearly $6 billion to pay credit subsidy costs; however, Congress subsequently reduced this amount by transfer and rescission to fund other priorities.

[5] Modification means a government action, such as a change in the terms of the loan contract or legislation that provides new collection tools, that was not anticipated in the original credit subsidy cost estimation. It does not include routine administrative workouts of troubled loans or loans in imminent default.

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Background: Advanced Technology Vehicles Manufacturing (ATVM) Loan Program

- EISA authorized the ATVM loan program to make $25 billion in loans.
- The fiscal year 2009 continuing resolution provided the ATVM loan program with $7.5 billion in appropriations to cover credit subsidy costs.
- DOE has made five loans worth $8.4 billion and used $ 3.3 billion in appropriations to cover credit subsidy costs.
- DOE closed on its most recent ATVM loan in March 2011.

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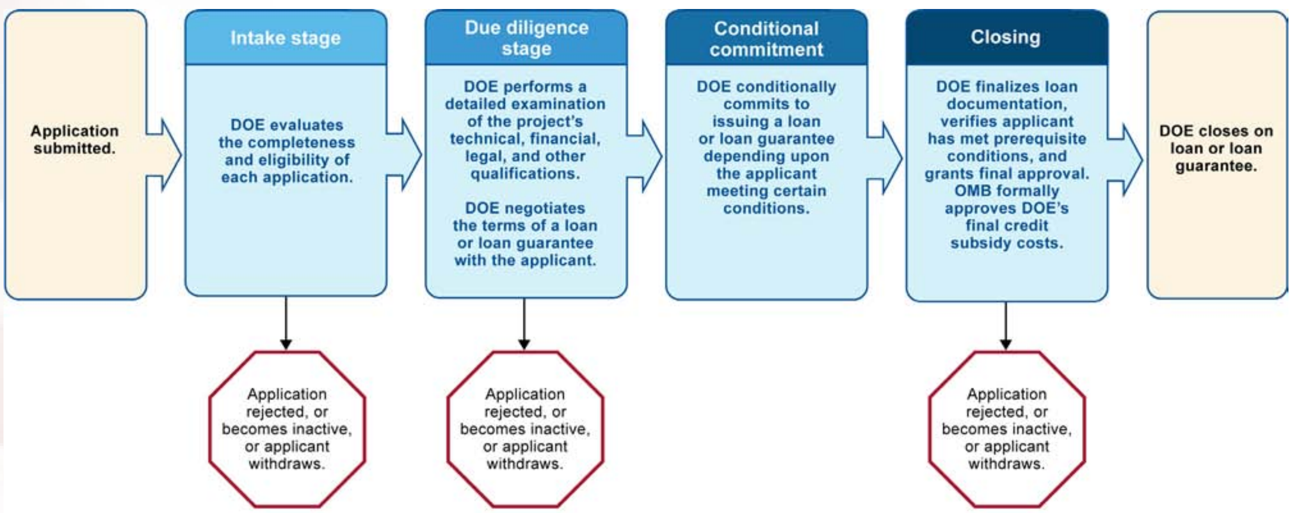
Background: General Review Process for LGP and ATVM Loan Program Applications



Source: GAO presentation of DOE data.

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Background: Remaining Loan Authorities and Appropriations

Title XVII Innovative Technology Loan Guarantee Program - 1703

Technology category	Loan guarantee authority[a]		Credit subsidy appropriations	
	Provided	Remaining	Provided	Remaining
Energy efficiency and renewable energy	$1.5 billion[b]	$1.5 billion[b]	$170 million	$170 million
Nuclear generation	$18.5 billion	$18.5 billion		
Nuclear front-end	$2 billion	$2 billion		
Fossil energy	$8 billion	$8 billion		
Mixed	$4 billion	$4 billion		
LGP Total	**$34 billion**	**$34 billion**	**$170 million[c]**	**$170 million[c]**

Advanced Technology Vehicles Manufacturing Loan Program

	Loan authority		Credit subsidy appropriations	
	Provided	Remaining	Provided	Remaining
ATVM	**$25 billion**	**$16.6 billion**	**$7.5 billion**	**$4.2 billion**

Source: GAO analysis of DOE information.

[a] Most of this authority was provided in the 2009 Appropriations Act which provided $47 billion for all eligible projects, of which $18.5 billion is to be for nuclear power facilities. The DOE implementation plan submitted to Congress in accordance with the Appropriations Act allocated the remainder of the authority among eligible technologies as follows: $18.5 billion to EERE (subsequently reduced by rescission); $8 billion to fossil; and $2 billion to nuclear front end.

[b] Most of this EERE authority was provided in the 2011 continuing resolution and is exclusively for energy efficiency and renewable energy projects. However, $317 million was carried over from 2009 and can be used for other 1703-eligible technologies (such as pollution-control equipment).

[c] Assuming a 20% credit subsidy, DOE estimates that $848 million in additional loan guarantees can be supported by the $170 million in credit subsidy appropriations.

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Summary of Findings

- As of January 29, 2013, DOE was actively considering using $15.1 billion in remaining loan guarantee authority.
    - DOE was considering 13 active applications—
        - 4 applications (3 in nuclear generation and 1 in nuclear front-end categories) that have conditional commitments for a total of $10.3 billion.
        - 9 applications (8 in EERE and 1 in fossil energy categories) requesting a total of $4.8 billion that are in the due diligence stage.
    - DOE received an additional 27 applications (in EERE, nuclear generation, and nuclear front-end categories) requesting a total of $73 billion that the agency considers to be inactive for various reasons—for example, DOE may have been waiting for additional information or project developments.
- As of January 29, 2013, DOE had no applications under active consideration for ATVM program loans and had received 7 applications requesting a total of $1.48 billion that it considers to be inactive.

Summary of Findings (cont.)

Potential Use of Remaining Authorities, by Active Applications

Dollars in billions

Program/Technology category	Remaining authority	Active applications		Difference in remaining authority and amount requested in active applications
		Number	Amount requested	
LGP				
Energy efficiency and renewable energy	$2.3[a]	8	$2.0	$0.3
Nuclear generation	$18.5	3	$8.3	$10.2
Nuclear front-end	$2.0	1[c]	$2.0	$0.0
Fossil energy	$8.0	1	$2.8	$5.2
Mixed[b]	$4.0	0[c]	$0.0	$4.0
Total	**$34.8**	**13**	**$15.1**	**$19.7**
ATVM	**$16.6**	**0**	**$0.0**	**$16.6**

Source: GAO analysis of DOE data.

[a] This amount represents the combined authority of $1.5 billion in loan guarantee authority and DOE's estimate of $848 million in additional loan guarantees that can be supported by the $170 million in credit subsidy appropriations.
[b] The mixed authority could be used for any of the loan guarantee categories.
[c] DOE notified Congress that, in order to accommodate more than one project, it expected to use $2 billion of the mixed authority for nuclear front-end projects. A final decision regarding which authority would be used for a specific transaction would only be made if and when the authority is obligated at closing.

Obj. 1: Efforts to Use Remaining Loan Guarantee Authority and Credit Subsidy Appropriations (EERE)

- DOE is actively reviewing in the due diligence stage eight applications requesting a total of $2.0 billion in loan guarantees. These eight applications include two biomass projects, one solar generation project, three solar manufacturing projects, and two wind generation projects.
- DOE has received 18 other applications requesting a total of $7.1 billion in loan guarantees that the agency considers inactive.
- DOE's remaining EERE authority is approximately $2.3 billion.
- If all eight active applications receive loan guarantees for the requested amount, DOE would have approximately $0.3 billion in remaining EERE authority.
- According to DOE officials, the agency has told applicants to be prepared to pay fees to cover their projects' full credit subsidy costs and that DOE would inform each applicant when making a conditional commitment if appropriations would be used to cover part or all of these costs.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority (Nuclear Generation)

- DOE has conditionally committed to provide three loan guarantees totaling $8.3 billion for a project to construct two new nuclear reactors at Plant Vogtle in Georgia. According to agency officials, DOE is in the process of moving from the conditional commitments to closing on these loan guarantees.
- DOE has received eight other applications requesting a total of $63.9 billion in loan guarantees that the agency considers inactive.
- DOE's remaining nuclear generation authority is $18.5 billion.
- If all three conditional commitments receive loan guarantees for the requested amount, DOE would have $10.2 billion in remaining nuclear generation authority.
- DOE officials anticipate that this $10.2 billion would be enough authority to support one other nuclear generation project.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority (Nuclear Generation, cont.)

- The eight applications that DOE considers inactive are on hold for the following reasons:
    - Four applicants, requesting a total of $43.6 billion, have not obtained a combined construction and operating license for their projects from the Nuclear Regulatory Commission (NRC), and DOE will not actively consider these applications until the applicants receive NRC licenses. DOE officials do not anticipate any licenses being issued by NRC earlier than 2015.
    - Two applicants have had their U.S. partners withdraw, leaving the applicants ineligible for licenses.
    - Two applicants are not moving forward with a loan guarantee, have not withdrawn their applications, and are proceeding with their project. The applicants are providing project updates to DOE.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority (Nuclear Front-End)

- DOE has conditionally committed to provide a $2 billion loan guarantee for the Eagle Rock project, a new uranium enrichment plant in Idaho. According to DOE officials, the applicant has postponed the project and is reevaluating its corporate strategy, which is delaying closing.
- DOE has received one other nuclear front-end application requesting a $2 billion loan guarantee that the Loan Programs Office considers inactive.
- DOE's remaining nuclear front-end authority is $2 billion.
- If the conditional commitment receives a loan guarantee for the requested amount, DOE would have no remaining nuclear front-end authority.
- To accommodate more than one project, DOE notified Congress that it expected to use $2 billion of the $4 billion in mixed authority for nuclear front-end projects. DOE officials told us that although there have been internal discussions regarding which source of authority would be used for the Eagle Rock project, a final decision would be made only at closing.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority (Fossil Energy)

- DOE is actively reviewing in the due diligence stage one application requesting a $2.8 billion loan guarantee for a coal gasification project with carbon-capture components.
- DOE's remaining fossil energy authority is $8 billion.
- If the active application receives a loan guarantee for the requested amount, DOE would have $5.2 billion in remaining fossil energy authority.
- DOE officials said the agency is considering issuing a new solicitation for fossil energy applications.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority (Time Frames)

- According to DOE officials, as of January 29, 2013, the Loan Programs Office was not close enough to approving any of the nine applications in the due diligence stage to estimate when there could be additional conditional commitments. DOE officials would be able to estimate a conditional commitment time frame only when they have a credit approval package ready for management review, but such packages have not been prepared for any applications in the due diligence stage.
- DOE officials would not comment on the anticipated dates for closing on loan guarantees for the four applicants that have conditional commitments, except to say that the applicants need to meet several conditions, and the parties need to negotiate the final closing documents.
- Six of the nine applicants with whom we spoke that had applications in the due diligence stage or who had received a conditional commitment hope to close on their loan guarantees sometime in the next year, and several said they believed they would close in the next 6 months.

Obj. 1: Efforts to Use Remaining Loan Guarantee Authority and Credit Subsidy Appropriations (Applicant Views)

- Applicants we interviewed were generally complimentary of DOE Loan Programs Office staff. Most of these applicants said they felt that staff were responsive and doing their best to move forward with loan guarantees.
- Five of the nine LGP applicants we spoke with said a loan guarantee is necessary to proceed with their projects. Three others said their projects could proceed without a guarantee at higher costs to ratepayers, and one applicant was uncertain.
- Applicants we spoke with also noted that challenges have led to uncertainty about the prospects of their applications. These challenges include aspects of DOE's review process, limited information on credit subsidy costs, and the program's negative public image.
    - *Aspects of DOE's review process*: Most applicants described challenges in DOE's review process, including
        - lengthy review time frames,
        - limited flexibility resulting from procedures and roles of multiple agencies, and
        - the quantity of resources required of applicants.

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Obj. 1: Efforts to Use Remaining Loan Guarantee Authority and Credit Subsidy Appropriations (Applicant Views, cont.)

- *Limited information on credit subsidy costs*: Some applicants told us that limited information from DOE about how much applicants will pay in fees to cover credit subsidy costs has made project planning difficult.
  - DOE does not inform LGP applicants of the fee that they will need to pay until the end of the process. Applicants receive an estimated range of the credit subsidy fee with their conditional commitment paperwork, but DOE has told applicants the final fee may fall outside of this estimate.
  - Applicants generally continue to invest in their projects while waiting for DOE's estimate, but the size of the final fee may determine whether a project is economical. Some applicants expressed concerns that they will have expended significant time and resources before finding out whether the fee to cover credit subsidy costs would make a loan guarantee uneconomical.
- *Negative public image*: Some applicants noted that the Solyndra default and other problems have created a negative public image and political environment for the program, which has made its future less certain and DOE more cautious about closing on loan guarantees.

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Obj. 2: Efforts to Use Remaining ATVM Loan Program Authority and Credit Subsidy Appropriations

- DOE had no applications under active consideration for the ATVM loan program.
- DOE has received seven applications requesting a total of $1.48 billion that they consider inactive.
    - Two applications requesting a total of $0.31 billion are “substantially complete,” meaning ready for consideration. However, according to DOE officials, while an application may be substantially complete, a project may not be ready to proceed for a variety of reasons including insufficient project sponsor equity or the project technology’s readiness.
    - Five applications requesting a total of $1.17 billion are “not substantially complete,” meaning the applicant must provide additional information to DOE before the agency can make an eligibility determination.
- DOE’s remaining ATVM loan authority is $16.6 billion and remaining credit subsidy appropriations are $4.2 billion.
- The ATVM loan program is accepting applications on an ongoing basis, per procedures set forth in the ATVM Interim Final Rule.
- According to DOE officials, they are not likely to use all of the remaining ATVM loan program authority given the current eligibility requirements.

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Obj. 2: Efforts to Use Remaining ATVM Loan Program Authority and Credit Subsidy Appropriations (Applicant and Auto Manufacturer Views)

- Most ATVM loan program applicants and other auto manufacturers we spoke with noted that there remains a need to promote advanced technology for increasing fuel economy; however, in many cases they said that, as the program is currently implemented by DOE, the costs of participating outweigh the benefits to their companies.
- Most applicants and manufacturers cited lengthy and burdensome application and review processes or restrictive loan and reporting requirements as challenges.
- Most applicants and manufacturers noted that public problems with the Solyndra default and other DOE programs have also tarnished the ATVM loan program, contributing to the challenges highlighted above. They believed the negative publicity makes DOE more risk-averse or makes companies wary of being associated with government support.

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Related GAO Products

- *DOE Loan Guarantees: Further Actions Are Needed to Improve Tracking and Review of Applications.* GAO-12-157. Washington, D.C.: March 12, 2012.
- *Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed.* GAO-11-145. Washington, D.C.: February 28, 2011.
- *Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program.* GAO-10-627. Washington, D.C.: July 12, 2010.
- *Department of Energy: New Loan Guarantee Program Should Complete Activities Necessary for Effective and Accountable Program Management.* GAO-08-750. Washington, D.C.: July 7, 2008.
- *Department of Energy: Observations on Actions to Implement the New Loan Guarantee Program for Innovative Technologies.* GAO-07-798T. Washington, D.C.: April 24, 2007.
- *The Department of Energy: Key Steps Needed to Help Ensure the Success of the New Loan Guarantee Program for Innovative Technologies by Better Managing Its Financial Risk.* GAO-07-339R. Washington, D.C.: February 28, 2007.

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Enclosure II

Department of Energy
Washington, DC 20585

MAR 1 1 2013

Mr. Frank Rusco
Director
Natural Resources and Environment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Rusco:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) draft report, *Department of Energy: Status of Loan Programs*. The Loan Programs Office (LPO) is responding on behalf of the Department of Energy.

As GAO reports, LPO is continuing due diligence on several fossil and renewable energy projects, and is working toward financial close of the loan guarantees to support construction of two new nuclear reactors at Plant Vogtle in Georgia. LPO holds regular discussions with the sponsor regarding a potential closing of the transaction in late 2013 for the front-end nuclear project. LPO is also planning to expand its pipeline and fully utilize the remaining available loan guarantee authority, particularly in the renewable and fossil energy sectors. LPO is developing a new solicitation in the fossil sector, and expects to follow with additional solicitations that would solicit projects to utilize our existing authority.

The draft report acknowledges our assessment that DOE is not likely to use the remaining Advanced Technical Vehicles Manufacturing loan program authority under the current eligibility requirements. LPO would be pleased to share our lessons learned in implementing the program and discuss options for program modifications to improve implementation of the original legislation.

Enclosed are LPO's technical and factual comments on specific language in the draft report. We look forward to working with your team on future engagements.

Sincerely,

David G. Frantz
Acting Executive Director
Loan Programs Office

(361423)

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