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U.S. DEPARTMENT OF ENERGY'S LOAN GUARANTEE PROGRAM

Mr. Chairman, Ranking Member, members of the committee**,** thank you for the opportunity to testify today on an issue of vital importance to the renewable energy industry.

My name is Tim Newell, and I am Senior Advisor to the US Renewables Group (USRG), where I also serve as a Managing Director for USRG Renewable Finance. US Renewables Group is a private equity firm that focuses exclusively on investing in renewable energy. Based in California, USRG is a leading investor in companies that develop, build, and operate projects that produce clean renewable energy – both electricity and fuels – and the infrastructure that supports that production. Our investments cover a wide range of renewable technologies, including solar, wind, geothermal, biomass, biofuels, hydropower, and energy storage. Collectively, USRG's portfolio companies are currently either operating or developing renewable energy projects in more than 30 states across the U.S.

I am here today because we believe the Department of Energy's loan guarantee program to be a crucial part of US renewable energy policy, as well as an important component of our country's overall economic policies – particularly with respect to supporting US competitiveness in global energy markets.

USRG has significant first-hand experience with the DOE Loan Guarantee Program. Directly and through our portfolio companies, we have participated in both the original Sec. 1703 program and the more recent Sec. 1705 ARRA-created program, and have engaged in both the innovative technology program and the commercial program (FIPP). I believe that we have been in a position to see and experience the program's challenges – as well as its considerable promise. In the spirit of strengthening what we believe is a critical program in support of our industry, I would like to offer some observations, recommendations, and areas of inquiry regarding the loan guarantee program that we believe merit consideration by the Committee.

US Government Renewable Energy Policies

Before doing that, however, I would like to step back for a moment and consider the loan guarantee program more broadly within the context of the US government's renewable energy policy. As major investors in renewable energy projects, we are keenly

aware of the importance of government programs that provide incentives to build commercial scale renewable projects in the U.S. In every economy in the world, energy is considered a critical resource whose development and production is regulated and supported by government. Renewable energy markets, with their emerging technologies and promise of clean sustainable growth, are particularly policy-driven.

In the U.S., in addition to the DOE Loan Guarantee Program, the most critical of these incentives at the federal level include the investment tax credits and production tax credits offered to renewable energy projects – including the Sec. 1603 grants in lieu of credits program that has been so successful, and which unfortunately is scheduled to expire at the end of 2010.

These incentives essentially act to encourage the supply of renewable energy in the U.S., by providing support for the construction and operation of renewable energy production facilities. They operate against the backdrop of policies at both the federal and state level that are intended to increase demand for renewable energy – including Renewable Portfolio Standards governing electricity purchases in a majority of US states, and to a lesser extent state Renewable Fuel Standards covering fuel consumption; as well as the federal Renewable Fuel Standard (RFS). Collectively, these policies and incentives work on both the supply side and demand side to leverage billions of dollars of private investment in clean and renewable energy projects across the United States.

From the point of view of the investment community, therefore, there is much that is encouraging about current US policies to promote renewable energy development. But there are two areas in which there are glaring deficiencies which act to deter investment.

The first of these is a specific policy deficiency – namely the lack of a national Renewable Electricity Standard (RES) to provide a predictable national market for renewable power production in the United States. This is an issue familiar to this Committee, and one on which the Chairman and the Committee have shown significant leadership. The solution is straightforward – the Senate should take up and pass S. 3813, the Renewable Energy Electricity Promotion Act of 2010 as introduced this week by Chairman Bingaman.

The second deficiency is more systemic. It has to do with the "on again, off again" nature of U.S. renewable energy policy. Investments in renewable energy are by their nature long term investments. Renewable energy projects often take years to develop, and require large amounts of capital to be committed for many more years. Yet too often investors have seen U.S. policymakers put incentives for renewable energy production in place, only to reverse them or let them expire a relatively short time later.

To see the impact of this kind of policy reversal on renewable energy markets we need only to look at the U.S. biodiesel industry, which has been severely damaged over the last year by the failure of Congress to extend the $1/gallon biodiesel tax credit after it expired at the end of 2009. The result? The growth of this important renewable fuels sector was halted, and more than 20,000 green economy jobs were put at risk. This

should not have happened and Congress should act immediately to restore the credit.

Looming on the horizon is a similar threat, though larger in scale. Since it was put in place in 2009, the Sec. 1603 Treasury Grant program in which grants are provided in lieu of tax credits for investments in renewable energy production facilities has been an extremely effective mechanism for attracting private sector investments into clean energy projects in the U.S. Yet without further Congressional action, the Sec. 1603 Treasury Grant program will expire at the end of this year, again changing the financial equation for renewable energy projects across our nation at a time when economic conditions are still acting as a headwind for the industry. A recent study by the American Council of Renewal Energy estimated that failure to extend Sec. 1603 would threaten more than 100,000 jobs across the U.S. This should not happen, and Congress should act to prevent it by extending the Sec. 1603 Treasury Grant program for at least two years.

Which brings us back to the Department of Energy's Loan Guarantee Program. When the program was launched with much fanfare in 2009, it was funded by $6 billion in appropriated funds – a level of investment that would support $60 billion to $100 billion of lending to clean energy projects. Less than two years later, the DOE Loan Program has seen its funding cut by nearly 60%, with $3.5 billion of its appropriation rescinded and diverted to other programs. This should not have happened, and Congress should act immediately to restore funding for this critical program.

A Global Race for Leadership

Why is this important? From investment and production tax credits, to grants in lieu of tax credits, to Department of Energy loan guarantees, these incentives are needed to help propel America's effort to compete with China, Germany, Spain and other countries that are investing heavily in renewable technologies. But, as several recent reports reveal, we are falling behind. This is a race we are no longer winning. Other nations are committing billions of dollars to clean technology and renewable energy for both environmental and economic reasons.

As a recent Pew Charitable Trust study ("Who's Winning the Energy Race: Growth, Competition and Opportunity in the World's Largest Economies"), for example, reported:

> "Relative to the size of its economy, the United States' clean energy finance and investments lag behind many of its G-20 partners. For example, in relative terms, Spain invested five times more than the United States last year, and China, Brazil and the United Kingdom invested three times more. In all, 10 G-20 members devoted a greater percentage of gross domestic product to clean energy than the United States in 2009. Finally, the Unites States is on the verge of losing its leadership position in installed renewable energy capacity, with China surging in the last several years to a virtual tie."

A similar report ("Out of the Running? How Germany, Spain and China Are Seizing the Energy Opportunity and Why the United States Risks Getting Left Behind") by the Center for American Progress, succinctly concluded, "China, Germany, and Spain are forging ahead on the path to a clean-energy future while the United States lollygags."

From the standpoint of a major U.S. investor in clean and renewable energy projects, this is unacceptable. Here we are, the country that invented the photovoltaic cell, that developed the most efficient solar thermal technology, that patented and produced LED lighting and numerous other energy efficient or renewable technologies falling behind our international rivals. We need to do better.

With regard to the DOE Loan Guarantee Program, there has been much attention given to delays by the program in making loan guarantee decisions. To be fair, our firm has experienced its own share of frustrations, especially early on when the program was critically hampered by a lack of personnel generally and a specific lack of seasoned project finance professionals.

Examples from USRG Portfolio: SolarReserve and Fulcrum BioEnergy

As we examine the loan program, though, it is important to recognize the critically important role that the program can play, and I would offer two examples from USRG's portfolio to illustrate.

SolarReserve, based in Santa Monica, CA, is in the business of building large utility-scale solar power plants with the potential to replace traditional coal-fired and natural gas-fired power plants. A SolarReserve power plant captures and focuses the sun's thermal energy with thousands of tracking mirrors (called heliostats) in a two square mile field. A tower resides in the center of the heliostat field, and the heliostats focus concentrated sunlight on a receiver which sits on top of the tower. Within the receiver, the concentrated sunlight heats molten salt to over 1000 degrees Fahrenheit. The heated molten salt then flows into a thermal storage tank where it is stored, maintaining 98% thermal efficiency, and eventually pumped to a steam generator which drives a standard power turbine to generate electricity – allowing a SolarReserve power plant to capture the energy of the sun during the day, and generate electricity into the evening or even through the night as needed. In this way, a SolarReserve power plant is similar to a standard coal-fired power plant, except it is fueled by clean and free solar energy. SolarReserve's technology was originally developed here in the U.S. for our country's space program, and then – with the support of this Committee - adapted and demonstrated for terrestrial use by the Department of Energy.

Today SolarReserve has applications pending with the Department of Energy for loan guarantees to support the company's first two commercial projects in Nevada and California. Should those loan guarantees be approved and the projects built, they would provide thousands of jobs in rural areas hard hit by the recession. But the catalytic effect would extend far beyond those communities. With its first two projects built and operating with proven economics, SolarReserve would be in position to access

commercial lending to build additional power plants. Beyond its lead projects, SolarReserve currently has 18 projects under development in the United States with the potential to deliver approximately 8,100 gigawatt hours of annual electricity production, generating more than $14 billion of aggregate investment, and accounting for approximately 90,000 direct, indirect, and induced jobs. The projects have been sited in underdeveloped regions in Arizona, California, Colorado, Nevada, and New Mexico, many of which are experiencing high unemployment. Globally, SolarReserve is targeting projects in Europe, North Africa, South Africa, the Middle East, and Australia.

Fulcrum BioEnergy, headquartered in Pleasanton, CA, has as its mission to create a clean, low-cost and sustainable source of domestic transportation fuel that is produced from an abundant and renewable feedstock: municipal solid waste – in other words, trash. Using advanced but proven thermochemical technology to convert municipal solid waste into ethanol, Fulcrum is leading the next generation of cellulosic ethanol production.

Like SolarReserve, Fulcrum has an application pending with the DOE Loan Guarantee Program to support the construction of its first commercial plant. Like SolarReserve, that plant would provide much-needed jobs for a community where those are in short supply. And like SolarReserve, with that plant built and operating Fulcrum would be in a position to access commercial lending markets to build additional projects. Fulcrum already has a development program to produce more than 1 billion gallons of biofuels from projects in 20 different states around the U.S. Collectively, the projects would represent over $8 billion of private capital investment in the U.S. economy, and account for more that 36,000 jobs. Moreover, by converting waste into biofuels, Fulcrum would afford large and medium sized communities in the U.S. the opportunity to turn their own garbage into transportation fuel and reduce their reliance on imported petroleum to drive their cars

SolarReserve and Fulcrum BioEnergy are but two companies among many here in the U.S. that are on the front lines of commercializing clean energy. With the support of DOE loan guarantees, though, these two companies alone have the potential to produce over 8,000 gigawatt hours of clean renewable electricity, more than1 billion gallons of renewable fuels, over $20 billion in new investments supporting 115,000 green economy jobs, and leadership in global renewable energy markets. This is the real promise of the clean energy economy that the DOE Loan Guarantee Program has the potential to bring about for our country.

Strengthening the DOE Loan Guarantee Program

Mr. Chairman, as you have stated previously, the DOE loan guarantee program is a powerful tool for meeting our energy security needs, especially in the area of commercial clean and renewable energy projects. It is a tool, however, that has been hampered by the Office of Management and Budget and $3.5 billion in rescissions. Clearly, the program should have its funding returned, the role of OMB clarified, and the Program's mission extended.

As this committee is well aware, DOE's loan guarantee program, especially the Sec. 1705 program included as part of American Recovery and Reinvestment Act of 2009, not only got off to a very slow start, but has been hurt by delays in making loan guarantee decisions. I believe in giving credit where due, though. Over the last year, my firm has seen a major transition in the operation of the DOE Loan Guarantee Program under Jonathan Silver, including the much-needed addition of seasoned project finance professionals with extensive energy financing experience.

The proof of that change is striking. Not too long ago, we would have expected to wait at least three months for approval by DOE of a "Part I" loan guarantee application. Last month, our most recent Part I application was reviewed and approved in only six working days. That is progress you can measure. Our experience is consistent with the conclusions of the Government Accountability Office which last July issued a report detailing shortcomings of DOE's management of the program, but also noted that DOE has "increased the Loan Guarantee Program's staff, expedited procurement of external reviews, and developed procedures for deciding which projects should receive loan guarantees."

The Role of the Office of Management and Budget

This is not to say that the program has worked well since the beginning, when there was insufficient staff and capacity to allocate funds quickly and effectively. On February 19, 2009, in the midst of a financial crisis that had essentially paralyzed the financial markets needed to support renewable energy development, we were encouraged when Secretary Steven Chu announced in a press release that the Department of Energy would be taking bold new steps to expedite the deployment of ARRA funds—especially loan guarantees. In his statement, Secretary Chu anticipated moving quickly to finalize guidelines for providing loan guarantees by summer of 2009. By March, the Department of Energy had drafted and provided to the Office of Management and Budget a set of much-anticipated and much-needed proposed modified regulations to govern the loan program. Then, for the next six months, we and others in our industry watched in consternation and frustration as DOE and OMB failed to reach agreement and the proposed streamlining of the program failed.

Beyond OMB's involvement in DOE loan guarantee regulations, loan guarantee applicants must wait for OMB approval to finalize their application and receive a term sheet, although the role of the OMB in these reviews is not clear. Renewable energy trade associations and members of Congress are still seeking to fully understand OMB's role in evaluating these applications and why OMB appears to be a major cause of delay in issuing these guarantees. OMB's level of involvement and review times appear to exceed that of other federal loan guarantee programs.

Further, we are concerned that decisions which appear to have been initiated by the Office of Management and Budget have seriously undermined the financial capacity of the program through rescissions totaling $3.5 billion -- $2 billion which was used to fund the Administration's "cash for clunkers" program and more recently $1.5 billion

used to help fund legislation to aid states and localities. These rescissions have reduced the available loan authority to less than $25 billion, even as DOE receives more requests for loans in excess of its lending authority. The total amount of subsidy costs that DOE stated in the solicitations of $4.75 billion exceeds the $2.5 billion of subsidy cost now allocated to the program by $2.25 billion.

It is our understanding that as of August, DOE had 81 separate renewable energy infrastructure and transmission projects either in its final "due diligence" phase of review or in its Part II review. Of these 81 projects, there were 26 in the final "due diligence" phase that were applying for $12 billion in loans. Doing the math, if these loan requests were to be completed at the Department's pledged rate of four per month, those loan requests will likely use up all funding for this program by February – nearly seven months before this program's September 2011 expiration.

According to DOE the remaining 55 renewable energy projects, which are seeking $15 billion in guaranteed loans, have completed the first phase of the loan review process and are in Part II. These projects have been under review at DOE for many months, and applicants have in many cases paid multi-million dollar fees. Tens of billions of dollars in additional investment proposed by applicants in Part I have almost no hope of receiving a loan guarantee at this time.

Recommendations

To address these problems and strengthen the DOE Loan Guarantee Program, we urge Congress to do the following:

1. Replace the $3.5 billion in funding that has been diverted from the DOE Loan Guarantee Program.

At a minimum, Congress should immediately replace the $1.5 billion that was most recently rescinded from the program. To that end, we strongly support the provisions in the most recent version of the so-called Tax Extenders bill announced by Chairman Baucus that would refund $1.5 billion to DOE's Sec. 1703 Loan Guarantee Program, and make important changes to that program – and, as appropriate, to the Sec. 1705 program - to provide needed additional flexibility, including:

- Defray credit subsidy costs. Allow appropriated funds or private capital to be used to defray credit subsidy costs for federal loan guarantees under Sec. 1703;

- Allow multiple projects/sites. Eliminate the restriction on project developers of one loan guarantee per applicant, per innovative technology. Instead, allow a project developer to submit multiple applications for multiple projects employing the same technology, and/or permit an applicant to submit a single application for a qualifying projects on multiple, noncontiguous sites;

- Provide flexible hiring authority. Grant "Direct Hire Authority" to the DOE Loan Guarantee Program for consultants and temporary employees, enabling DOE to maintain the personnel resources needed to quickly and efficiently process loan guarantee applications;

- Eliminate credit rating requirement for small projects. Allow the Secretary of Energy to exempt loans smaller than $100 million from the requirement that the projects receive a credit rating; and

- Limit administrative fees.

Refunding the $1.5 billion to Sec. 1703, together with the changes in authorities discussed above for that program and/or for Sec. 1705 -- many of which were originally included in S. 3746 introduced by Chairman Bingaman and cosponsored by Senators Shaheen, Boxer, and Feinstein – would address important shortcomings of the Sec. 1703 Loan Guarantee Program and allow it to serve as a vehicle for ongoing support for financing renewable energy projects beyond the expiration dates that were incorporated into ARRA.

In strengthening the Sec. 1703 program, Congress should also make clear that the program may be used to support projects that use commercial technologies rather than limiting the program to emerging innovative technologies. To avoid unnecessary delays in financing projects, Congress should make it clear that the Sec. 1703 Loan Guarantee Program is authorized to continue extending loan guarantees under the terms of solicitations previously issued under through the Sec. 1705 program. Of particular importance in our view is the Financial Institutions Partnership Program (FIPP) solicitation which allows DOE to issue loan guarantees for commercial projects which are backed by private lenders – thus encouraging and leveraging private capital rather than relying solely on government funding through the Federal Financing Bank. Put another way, uniquely under the FIPP model, DOE's Loan Guarantee Program is serving to catalyze the capital markets to increase investments in renewable energy projects. And with the evolution of a secondary market in DOE-backed securities, we are seeing the creation of an on-ramp for long-term investors to enter into the renewable markets – an especially critical development for smaller/medium sized renewable energy projects.

2. Extend the "Commence Construction" date for the current Sec. 1705 DOE Loan Guarantee Program by two years.

In our opinion, the DOE Loan Guarantee Program (Sec. 1705) and the Treasury Grant Program (Sec. 1603) are currently the two most important mechanisms for U.S. government support of renewable energy deployment – and both programs are scheduled to expire in the relatively near future. Both of these programs should be extended to provide much needed certainty for project developers and financiers, as well as spurring clean energy jobs.

3. Limit OMB review of DOE loan guarantees**.**

We believe that DOE has taken great strides to strengthen their ability to assess and process loan guarantee applications in a timely way based on commercial terms and risk analysis. That progress will be lost, however, if DOE loan guarantee recommendations are subject to what is essentially a second underwriting process at the Office of Management and Budget – adding unnecessary time delays and uncertainty. Mr. Chairman, we would support the provisions of your bill S. 3759 which would limit OMB's time to comment on any application the Secretary of Energy submits for review to 30 days. We believe this is a necessary change.

4. Support small business lending through the DOE Loan Guarantee Program.

Smaller renewable energy projects are potentially an important engine for economic growth, jobs, and building a clean energy infrastructure in many regions of the country – especially in those regions which may not be able to support large utility-scale energy projects due to limited solar resources, wind resources, fuels feedstocks, etc. However developers of small renewable energy projects have faced a particularly challenging financing environment during the recent economic downturn.

DOE's Loan Guarantee program – particularly the FIPP – is in a position to offer much needed assistance to small renewable energy project developers. The FIPP could and should be a particularly useful mechanism for attracting private capital to provide lending to smaller energy projects. The challenge is that smaller developers often may not be in a position to invest the resources – both financial and personnel – that it has typically required to navigate the federal loan guarantee process. I would like to take this opportunity to commend the leadership of Jonathan Silver and his staff at Department of Energy for their focus – and real accomplishments – with respect to improving the accessibility of DOE's Loan Guarantee Program for small renewable energy projects. His team at DOE has made huge progress in streamlining the application process to encourage private lenders to finance those smaller projects.

Even with the impressive progress made by DOE to support lending to small renewable energy projects, many smaller borrowers remain concerned about both the time frames and cost of the federal loan guarantee process. Additional steps Congress should consider to improve access to the program for small developers include:

- Streamline NEPA requirements for small projects. NEPA remains the most significant barrier in terms of time delays for small projects. We would recommend the Congress consider limiting NEPA's application for projects smaller than $200MM, or to clarify and/or expand the categorical exemptions for projects such as rooftop solar or ground mount solar installations below a certain size.

- Eliminate the need for credit ratings for projects under $100mm. The minimum cost for rating agencies to provide ratings is $175,000 which is a high cost for a

small project. Given the relatively smaller risk footprint of smaller projects within DOE's loan guarantee portfolio, it would seem reasonable to eliminate that requirement. We wholeheartedly endorse the Chairman's previous legislative support for this needed change.

- Reduce administrative, diligence, and loan costs for small energy projects. DOE could eliminate or reduce the DOE application fee and the 50 bp facility fee for small projects without significantly impacting the cost to the government of the loan program. DOE could also mitigate duplicative diligence costs by using common counsel and consultants with the lender applicant. Standardizing contract terms—not just form of guaranty but also acceptable security documents, tax equity intercreditor terms etc. – could also significantly reduce costs and speed processing times.

- Consider exempting smaller projects from Davis Bacon requirements. It would seem reasonable to set a size threshold for applying Davis Bacon requirements to renewable energy projects seeking loan guarantees. A small business exemption in this area would have a meaningful impact for smaller projects, without significantly affecting labor markets.

5. Provide for a permanent renewable energy financing mechanism to support US leadership in renewable energy.

While there are venture capitalists to assist start-ups and there are private equity firms like ours to help finance commercial projects, there is often little to bridge the divide between development of clean technologies and commercial deployment. At its best, that is the role that DOE's Loan Guarantee Program was designed to fulfill, albeit temporarily. I applaud the Chairman and this Committee for your leadership in proposing the establishment of a permanent Clean Energy Deployment Administration (CEDA) to support the development and commercial deployment of new clean energy technologies. From the perspective of the renewable energy investment community, establishing CEDA is a no brainer.

This past July, the Clean Energy Group published a report, Accelerating Climate Technologies: Innovative Market Strategies to Overcome Barriers to Scale Up, which concluded "(1) the barriers to rapid diffusion of new climate technologies are too great for the private sector alone to surmount and (2) targeted public sector interventions are needed all along the technology development pathway to overcome specific technical, financial, and market barriers." In other words, establish CEDA.

Another important reason to establish CEDA is international competitiveness. Our major competitors in Asia – China, Japan and South Korea -- and in Europe – Germany and Spain -- recognize the long-term importance of investing in clean energy technology. While the United States remains the world leader in developing advanced clean energy technologies, we are falling behind as these nations continue to invest public funds to support research, development and commercialization of clean and renewable

technologies. CEDA is a critical component of the kind of clean energy competitiveness strategy that the United States must have to compete with other nations moving aggressively to capture global clean tech market share.

Questions for consideration

In addition to the recommendations above, there are some additional areas of inquiry that I would recommend to the Committee. These questions include:

A. Does the DOE LGP benchmark its financing terms against those that might otherwise be available from the commercial market?

For example, does DOE LGPO explicitly consider commercially available loan terms for debt-to-equity ratios, repayment terms "tail" (the buffer between the maturity of the loan and the revenue-generating contract maturity), cash-sweeps (if applicable for contracted revenue projects), or distribution restrictions? Many other US government lending agencies that support project finance transactions adhere to an explicit "prudent lender" threshold to offer terms not more aggressive (or conservative) than the commercial market, unless those terms relate specifically to program guidelines (e.g., OECD Consensus Rules in the case of US Ex-Im Bank).

B. How does the DOE LGP approach the structural integration of Congressionally authorized incentives for renewable energy projects with its loan guarantee structures, specifically in the case of Investment Tax Credits or MACRS accelerated depreciation?

USRG understands that a number of applicants have been informed that the DOE LGP discourages capital structures -- commonly deployed in commercial finance for renewable and other tax-incentivized energy projects -- that would permit an application with no or limited federal tax capacity from taking advantage of ITC benefits not otherwise addressed in the 1603 ITC Cash Grant program (currently set to expire for projects that have not commenced construction before Dec. 31, 2010) and of MACRS accelerated depreciation. The rationale for this advice from the DOE LGP to applicants is claimed to be the complexity of marshaling such capital structures through the DOE LGP approval process. This would seem to put innovative energy projects seeking support through the DOE LGP at a significant disadvantage in maximizing the incentives authorized by Congress for such projects.

C. Is the intention of Congress in authorizing the DOE LGP through Sec. 1703 and amended by Sec. 1705 being frustrated by an excessively complex and lengthy approval process?

Currently, the Program does not feature any explicit approval timeline requirements. The advice from the DOE Loan Guarantee Program office to applicants is that approvals to the Conditional Commitment stage should be expected to take a minimum of six months. This lengthy approval cycle reflects multiple levels of approvals within DOE

and includes additional reviews by OMB with input from other Federal agencies or departments. Does this approval process negatively affect the DOE Loan Guarantee Program's ability to offer "prudent lender" terms and to incorporate tax efficient capital structures?

D. Should Congress clarify the relative importance of DOE extending loan guarantees to truly innovative technologies?

The way in which Congress structured the LGP created a paradoxical situation. On the one hand, Congress has established the Loan Guarantee Program to incentivize innovative technologies. On the other hand, it requires a "reasonable prospect of repayment", a goal that seems reasonable but that in practice seems to be interpreted by OMB in such a way as to require very low risk projects and near-certain cash flows. This has created confusion throughout the industry and within DOE as to the proper way to extend loan guarantees to the best innovative projects.

Mr. Chairman, this concludes my testimony on the Department of Energy's Loan Guarantee program. I appreciate the opportunity to appear before the Committee, and would welcome the chance to address any questions that you or members of the Committee may have.

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