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## Solyndra \$535 Million Loan Mostly Lost to Taxpayers, Chu Tells Lawmakers

By Jim Snyder and Brian Wingfield - Nov 17, 2011

Energy Secretary Steven Chu told lawmakers he was responsible for the \$535 million U.S. loan guarantee to Solyndra LLC and said he doubted much of the money would be recovered after the company's bankruptcy.

Chu, who once predicted the [California](#) maker of solar panels would be a "shared success story," testified today before a House Energy and Commerce subcommittee investigating the Energy Department's reasons for backing Solyndra and providing refinancing as it slid toward collapse.

"Red flags" about the company's prospects were "either ignored or minimized by senior officials" in the Obama administration, Representative [Fred Upton](#), a Michigan Republican and chairman of the Energy Committee, told Chu.

"Who is to apologize for the half-billion dollars out the door?" Upton asked.

"Was there incompetence?" Chu said. "Was there any influence of a political nature? So I would say no. It is extremely unfortunate what has happened to Solyndra."

Asked how much of the taxpayer funding invested in Solyndra may be recovered, Chu, 63, said, "I'm anticipating not very much."

Solyndra today delayed an auction of its business for a second time, from tomorrow to Jan. 19, after failing to get any acceptable bids.

Chu, testifying under oath in his first appearance before Congress since Solyndra's September collapse, denied White House officials sought to influence the decision for political reasons, as Republicans have said.

### Taxpayers' 'Best Interest'

"The final decisions on Solyndra were mine, and I made them with the best interest of the taxpayer in mind," Chu said.

The Energy Department approved in February a refinancing that put taxpayer debt behind \$75 million in new funding from private investors in a last-ditch effort to rescue Solyndra. Republicans said the agreement violated a 2005 energy law prohibiting subordination of public money.

Representative Steve Scalise, a Louisiana Republican, asked who would be paid first as money is recouped from the sale of Solyndra's assets.

"Does the taxpayer have first dibs?" Scalise said.

"After restructuring? No," Chu responded.

Chu said the restructuring gave Solyndra a "fighting chance to survive."

### 'Difficult Decision'

“It was a difficult decision, and we were always, always focused on that path that could get as much taxpayer recovery as possible,” he said.

Chu said his department’s general counsel determined that the law banned subordinating taxpayer debt only for an initial loan guarantee, not for a refinancing. Scalise predicted the Solyndra subordination will be found illegal.

Backed by Democrats on the panel, Chu defended aid to companies such as Solyndra, saying federal support for clean- energy ventures is necessary to compete in a “fierce global race to capture” a market that will grow by “hundreds of billions of dollars” in coming decades. [China](#) has invested aggressively, he said.

Representative Henry Waxman of California, the top Democrat on the Energy committee, said the U.S. needed to continue to invest in alternative energy.

“Our economic growth and our national security will be determined by whether we succeed in building these new industries,” Waxman said.

Representative [Diana DeGette](#), a Colorado Democrat, said Republicans were using Solyndra to fire “partisan broadsides” at the Obama administration.

### Warning Signs

Among signs Republicans cited as warning flags was an e- mail written by an Energy Department official in August 2009 noting that a model showed a Solyndra project financed with the loan guarantee would run out of money in September 2011. Solyndra filed for bankruptcy on Sept. 6, 2011.

Representative [Cliff Stearns](#), a Florida Republican and chairman of the investigations panel, called the model “prophetic.”

Chu said the model predicted a cash shortage for the project, not the company. Later analysis didn’t show a similar concern, he said.

Solyndra’s bankruptcy filing two years after winning the loan guarantee was tied to “deteriorating market conditions” from an “acute drop in the price of solar cells,” Chu said.

### Kaiser Investment

Solyndra’s biggest investor was the family foundation of [George Kaiser](#), a billionaire campaign fundraiser for Obama. Republicans have questioned whether Kaiser pressed for the guarantee. Kaiser has said he didn’t lobby for the loan guarantee.

Chu told the committee he didn’t know about Kaiser’s connection to Solyndra when the loan guarantee was approved.

“I want to be clear: Over the course of Solyndra’s loan guarantee, I did not make any decision based on political decisions,” Chu said.

Republicans also pressed Chu whether his department pushed Solyndra to delay an announcement of job cuts until after the Nov. 2 election last year.

An adviser to Argonaut Private Equity, the investment arm of Kaiser’s family foundation, said in an e-mail turned over to the committee that Energy officials sought a postponement. Solyndra Chief Executive Officer [Brian Harrison](#) had told the Energy Department he wanted to make the job cuts public on Oct. 28, according to another e-mail.

## Not 'Proper Way'

Chu said he wasn't aware of an effort to delay the announcement and that it would not be a "proper way to do business."

Republicans also noted an e-mail from an Office of Management and Budget official who expressed concern that Chu's agency wasn't paying close enough attention to Solyndra's deteriorating finances. The e-mail followed a March 16, 2010 "going concern" warning from Solyndra's auditor.

The department "has one loan to monitor and they seem completely oblivious" to the auditor's report, a budget-office official who wasn't identified wrote to another official on April 2, 2010.

"We were in fact monitoring the loan," Chu said.

Chu noted during his testimony that he was pressed by both Democrats and Republicans to start approving energy loan guarantees at his confirmation hearing as Energy secretary in January 2009. None had been issued since the aid was authorized in 2005.

His department had received more than 500 letters from members of Congress seeking loan guarantees for companies in their districts, Chu said.

The office running the loan program grew from 16 employees to more than 180 under Chu, including Silicon Valley venture- capital executives with experience in clean-energy startups. The department has issued or conditionally approved \$35.9 billion for 38 nuclear, renewable-energy and automotive projects.

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