

# United States Senate

WASHINGTON, DC 20510-7012

September 8, 2009

The Honorable Steven Chu  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Ave., SW  
Washington, DC 20585

Dear Secretary Chu:

I write to respectfully request that the Department of Energy (the Department) use, to the fullest extent practicable, the Federal Financing Bank (the FFB) to fund loan instruments fully guaranteed under the Department's loan-guarantee program authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). As you know, this program was first authorized under title XVII of the Energy Policy Act of 2005 but amended by ARRA (which added section 1705) to help finance and more rapidly deploy projects using technologies already commercially viable. I was a strong supporter of this provision in the stimulus legislation and believe the administration should take all steps available to expedite commencement and completion of these projects, including steps that will lower borrowing costs for program applicants.

It has been brought to my attention that even though rules implementing title XVII expressly provide that the FFB should be used to fund an obligation backed by a full guarantee from the Department, the Department will require fully guaranteed portions of section-1705 loans to be funded by commercial lenders. Specifically, DOE may arbitrarily "stable" together the guaranteed and un-guaranteed portions of the Section 1705 project loans in order to create a partially guaranteed instrument that would not qualify for FFB funding. Congress intended to provide significant support to qualifying projects by offering guaranteed financing, and the FFB was established specifically to fund government-guaranteed instruments. Moreover, FFB funding creates no increased risk or cost to taxpayers.

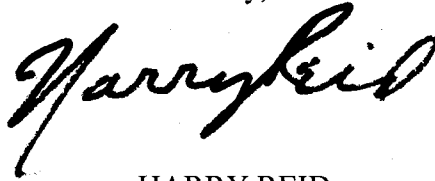
The savings in financing costs brought by using the FFB would be significant. The current-market interest rates and fees associated with the private placement of government-guaranteed loans would impose a substantially greater burden on projects than would be seen if those instruments were placed with the FFB. For example, industry experts expect that the FFB would charge approximately 0.25% to 0.50% over the relevant Treasury rate, amounting to a savings of approximately 1.50% on 80% of each project's financing amount as compared to private financing costs. If the total size of this program were \$60 billion, then the annual savings would be \$650 million each year. Consequently, I worry the purpose of the section-1705 program—encouraging the rapid development and success of renewable projects—would be undermined by closing the FFB to guaranteed instruments.

I share your goals of modernizing our nation's energy-producing infrastructure and quickly creating jobs for the new economy. By lowering borrowing costs for eligible projects through use of the FFB, I am confident we will reach those goals sooner. I look forward to your response.

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My best wishes to you.

Sincerely,

A handwritten signature in black ink that reads "Harry Reid". The signature is written in a cursive, flowing style with a large initial "H".

HARRY REID  
United States Senator  
Nevada