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WASHINGTON, DC 20510-6275

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April 20, 2012

Dr. Stephen Chu
Secretary
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu:

The Energy Independence and Security Act of 2007 required the creation of a direct loan program from the Federal government to car companies called the Advanced Technology Vehicles Manufacturing Incentive (ATVM) program. One of the more unusual recipients of an ATVM loan is the Fisker Automotive Corporation. Fisker was awarded a \$529 million loan extended by the American taxpayer for two purposes. The first portion was an approximately \$169 million loan "to support the engineers who developed the tools, equipment and manufacturing processes for Fisker's first vehicle, the Fisker Karma."¹ The Fisker Karma, which is pictured on the Department of Energy's website, retails for approximately \$107,850.²

The second portion of the taxpayer-financed Fisker loan was approximately \$359 million for the construction of the Fisker "Nina" vehicle (also referred to as the "Atlantic").³ The Nina was slated to retail for approximately \$50,000, but production has now been suspended.⁴

The statute which created the ATVM program did not specify a retail price range for vehicles that are financed by Federal dollars, but it would seem questionable how financing \$100,000 luxury class automobiles would be the best use of taxpayer money. The Department of Energy appears to have decided otherwise.⁵

Though the Department of Energy has now frozen the remaining portion of Fisker's loan, questions remain as to why a loan was extended to this now "troubled" auto company in the first

¹ Dan Leistikow, Director, Office of Public Affairs, Department of Energy, October 20, 2011.

² Consumer Reports, Bad Karma: Our Fisker Karma plug-in hybrid breaks down, March 8, 2012.

³ <https://lpo.energy.gov/?projects=fisker-automotive>

⁴ Dan Leistikow, Director, Office of Public Affairs, Department of Energy, October 20, 2011.

⁵ Joann Muller, More Bad Karma For Fisker: \$100K Electric Car Breaks Down In Consumer Reports Test, Forbes, March 9, 2012.

⁶ Kim Reynolds, Bad A** Karma, Whew! Hollywood Can Finally Park its Priuses, Motor Trend, May 2011.

place.⁶ To bring sunlight and transparency to the Department of Energy's loan process, I request that you answer the following questions:

1. The Department of Energy has taken special attention to note that despite the fact that the Fisker Karma is built in Finland, none of the taxpayer-financed loan money was used directly to finance the Finnish production of this car. Yet, given the fungible nature of money, the Department of Energy's decision to extend money to Fisker relieved the company of apportioning its resources between Finnish production and domestic engineering. Will the Department continue to extend loans to companies with extensive overseas operations so long as the companies pledge to use loan money specifically for U.S. investments?
2. The Department of Energy initially estimated that its loan to Fisker Automotive would create one permanent job for every \$264,500 lent while touting the number of jobs saved or created by the ATVM project. Please provide a detailed explanation of the methodology used to arrive at this job creation estimate. What evidence is there to indicate whether the estimate has been proven to be accurate?
3. The Department of Energy has estimated that its loan to Fisker would result in the equivalent of 30,000 fewer cars on the road. How did the Department make this estimate? What evidence is there to indicate whether this estimate has been proven to be accurate?
4. Has the Department revised this estimate in light of Fisker's decision not to halt production of the Nina/Atlantic? If so, what is the current estimate?
5. What technical expertise did the Department of Energy utilize to evaluate, originate, and monitor the loan to Fisker?
6. On February 28, 2011, the Government Accountability Office released a report on the ATVP program which contained the following statement and footnote.

Fisker has received a loan for two plug-in hybrid projects: the Karma, a sedan classified by DOE as a subcompact-performance sedan at the time its eligibility was established; and the Nina, classified by DOE as a subcompact sedan....For the purpose of establishing eligibility, DOE used the classifications in the interim final rule. According to Fisker officials, while these classifications accurately reflect the vehicles' footprints and are appropriate for judging the fuel economy of the vehicles, the classifications do not accurately reflect the type of vehicles to be produced by Fisker under the program. More specifically, the officials characterized the Karma as a "premium-luxury sedan" and the Nina as a "near-luxury performance sedan," noting that vehicles that are known in the industry as "subcompacts" generally are not luxury vehicles.

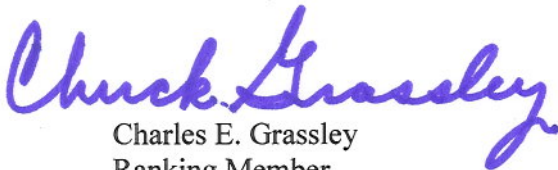
⁶ Lindsay Chappell, For troubled Fisker, the problem is not with EVs, Automotive News, February 15, 2011.

Why did the Department choose a classification for the Karma which, in the words of Fisker's officials, was not "accurate"?

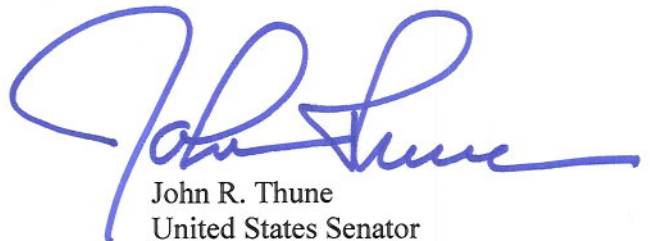
7. The GAO's report also states that the Congressional Budget Office (CBO) projected that the ATVM program would have a 30% "credit subsidy" or default rate. (This was later updated to 39% in order to reflect the deterioration of the American economy.) Once a default rate is projected, the Administration has the opportunity to tighten program eligibility requirements in order to reduce default rates. Did the Department take any steps to lower the ATVM's projected 30% default rates after this CBO estimate was announced in September 2008? If so, what were those steps? If not, why did the Department accept the initial 30% default rate?
8. According to the February 28, 2011, GAO report, the Department has chosen not to create "targeted levels of performance" for Department loans. According to GAO, creating such metrics would protect taxpayer financial interests. Why did the Department decide not to create these targets?
9. On June 9, 2011, the GAO released another report which stated that the Department disagreed with the GAO's recommendations that the Department: "(A)ccelerate efforts to engage engineering expertise and develop sufficient, quantifiable performance measures." The report states that the Department "disagreed with the recommendations" and as a result the recommendations had not been implemented. Has the Department taken any steps since this report was issued to comply with GAO's recommendations? If so, what are they? If not, why not?

Thank you for your cooperation and attention in this matter. I would appreciate a response by May 4, 2012. If you have any questions, please do not hesitate to contact Chris Lucas for Senator Grassley at (202) 224-5225 and Brendon Plack for Senator Thune at (202) 224-2321.

Sincerely,



Charles E. Grassley
Ranking Member
Committee on the Judiciary



John R. Thune
United States Senator