

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

April 19, 2013

The Honorable Steven Chu
Secretary
United States Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Chu:

Pursuant to Rules X and XI of the rules of the U.S. House of Representatives, we write today seeking a better understanding about Department of Energy's (DOE) Vehicle Technologies Program (VTP) managed by the Office of Energy Efficiency and Renewable Energy (EERE). Specifically, we are concerned with the number of recipients that were awarded grants through the American Recovery and Reinvestment Act (ARRA or Recovery Act), or stimulus, but have failed to meet performance benchmarks or have experienced financial setbacks.

On February 8, 2013, the DOE Inspector General (IG) released a report entitled "The Department of Energy's Management of the Award of a \$150 Million Recovery Act Grant to LG Chem Michigan Inc."¹ In its report the IG "found that work performed under the grant to LG Chem Michigan had not been managed effectively." Although the IG only looked into the alleged unproductive labor charges, the audit raised "issues relating to the management of this grant which transcend the reimbursed amount" The IG's report also questioned whether DOE appreciated the need to ensure adequate oversight of the project's progress. In fact, DOE did not suspend payments to LG Chem, even after DOE was made aware of several problems with the progress of the project.

The IG report findings reflect not only on the way DOE manages the LG Chem grant but also raise questions about the management of other "similarly situated grantees" in the batteries program. Other DOE VTP grant recipients have also not met benchmarks and milestones and have experienced significant financial difficulties. In particular, Ener1 Inc., the parent company of EnerDel which received a \$118.5 million grant, filed for bankruptcy protection in January

¹ United States Department of Energy Office of Inspector General, *The Department of Energy's Management of the Award of a \$150 Million Recovery Act Grant to LG Chem Michigan Inc.* (Rpt No. OAS-RA-13-10) (Feb. 2013).

2012.² A123 Systems, the recipient of a \$249.1 million grant, which used \$132 million for the construction of two advanced battery manufacturing facilities, has been plagued with impending debt default and cash problems after filing for bankruptcy protection in October 2012 and recently was sold to Wanxiang Group Co., China's biggest auto parts maker.³

Members of this Committee have written letters to DOE supporting the objectives of the Vehicle Technologies Program and investment in advanced battery technologies, and asked DOE to consider the applications for ARRA grant funding of companies and manufacturers within their States. The understanding of these letters was that those companies receiving grant monies would be viable, create jobs, and successfully produce components for auto manufacturers. Accordingly, we now seek to determine how, after \$142 million in Recovery Act expenditures were made to LG Chem, the company has yet to reach the objectives agreed upon in the DOE-approved project plan and whether other current projects in the Vehicle Technologies Program are on track. In order to better understand why DOE decided to make the award to LG Chem, the manner in which it did, and the management of this grant and others in the program, we ask that you brief the Committee within two weeks of the date of this letter. Specifically, we ask that the briefing address the following issues:

1. The status of implementing the IG's recommendations for the LG Chem grant;
2. Whether EERE plans on implementing the IG's recommendations throughout the VTP; and,
3. The status of the remaining grants in the VTP.

Additionally, in order to further assist the Committee in its examination of the issues regarding LG Chem and the VTP, please provide the following by May 10, 2013:

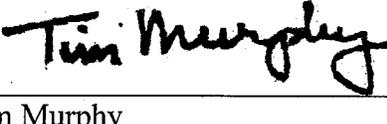
1. All documents relating to the implementation of the IG's recommendations;
2. All documents relating to managing and monitoring the project prior to February 2013; and,
3. All documents prepared regarding the status of the project once the grant funds were distributed.

² Battery maker Ener1, a DOE grant recipient, goes bankrupt, CNN Money; http://money.cnn.com/2012/01/26/technology/ener1_bankruptcy/index.htm (accessed 3/12/13).

³ Wanxiang Wins U.S. Approval to Buy Battery Maker A123, Bloomberg; <http://www.bloomberg.com/news/2013-01-29/wanxiang-wins-cfius-approval-to-buy-bankrupt-battery-maker-a123.html> (accessed 3/12/13).

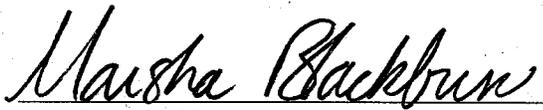
We appreciate your prompt attention to this request. To arrange for a staff briefing, please contact Carl Anderson with the Committee staff at (202) 225-2927.

Sincerely,

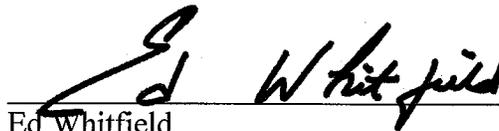
 

Fred Upton
Chairman

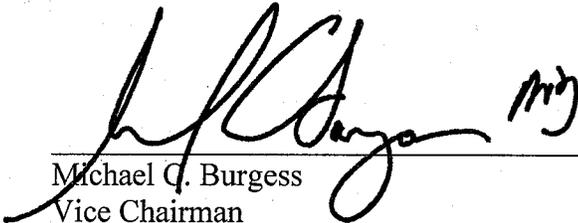
Tim Murphy
Chairman
Subcommittee on Oversight
and Investigations



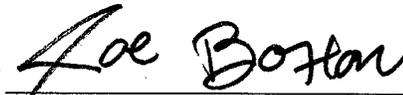
Marsha Blackburn
Vice Chairman



Ed Whitfield
Chairman
Subcommittee on Energy and Power



Michael C. Burgess
Vice Chairman
Subcommittee on Oversight
and Investigations



Joe Barton
Chairman Emeritus

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations

The Honorable Bobby L Rush, Ranking Member
Subcommittee on Energy and Power