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U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

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March 26, 2012

Dr. Steven Chu
Secretary
Department of Energy
1000 Independence Ave. SW
Washington, DC 20585

Dear Secretary Chu:

In a March 7 speech in North Carolina, President Obama announced several new energy initiatives aimed at supporting advanced technology vehicles. The centerpiece of the President's announcement was the creation of a new $1 billion "National Community Deployment Challenge" (NCDC) to "spur deployment of clean, advanced vehicles in communities around the country."[1]

Details of the President's initiative are severely lacking. The Subcommittee could not identify any description of the new program in the Department of Energy (DOE) budget request, and a White house fact sheet released with the speech included only a one paragraph overview of the proposed spending.

In order to make a fully informed decision on the President's proposal, it is imperative that Congress receive further details on this proposal and any associated alternative vehicle spending. This is particularly important in light of the nation's fiscal situation and the Administration's troubling record of waste and mismanagement of taxpayer funds in the area of green energy.

As you know, the President's announcement of this initiative comes on the heels of unprecedented prior and current spending by the Administration to develop, produce, and deploy alternative vehicles. This includes:

- Over $4.4 billion[2] in the Office of Energy Efficiency and Renewable Energy Vehicle Technologies Program on research, demonstration, and deployment activities, including $2 billion in funding provided by the American Recovery and Reinvestment Act (ARRA) to manufacture batteries for electric vehicles (EV) and $400 million for transportation electrification demonstration and deployment projects;[3]

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[1] The White House, Office of the Press Secretary, "Fact Sheet: All-of-the-Above Approach to American Energy," March 7, 2012. Accessible at: http://www.whitehouse.gov/the-press-office/2012/03/07/fact-sheet-all-above-approach-american-energy

[2] Cumulative budget figures for the Department of Energy's Office of Energy Efficiency and Renewable Energy Vehicle Technologies Program FY09-FY12 and the FY13 request. Budget Justifications are accessible at: http://www.cfo.doe.gov/crorg/cf30.htm#Justifications.

[3] Department of Energy, EERE News, "President Obama Announces $2.4 Billion for Electric Vehicles," March 19, 2009. Accessible at: http://apps1.eere.energy.gov/news/daily.cfm/hp_news_id=159

- $8.4 billion in direct loans to five automakers through the Advanced Technology Vehicles Manufacturing (ATVM) program to develop and produce electric vehicles, upgrade factories, and increase vehicle fuel efficiencies;[4]
- Advanced Research Projects Agency – Energy spending of over $36 million on electric vehicle batteries,[5] $44.5 million on biofuels,[6] and an additional requested $184 million in FY13 for alternative fuels, batteries, and systems for electric vehicles;[7] and
- Approximately $40 million per year in Office of Science funding to support 14 Energy Frontier Research Centers (EFRCs) researching electric energy storage,[8] $20 million for a new Batteries and Energy Storage Energy Innovation Hub, and a $24 million Energy Innovation Hub to develop new transportation fuels.[9]

While some advanced vehicle technologies may be worthy of targeted and limited governmental support, the Administration's record spending of over $13 billion to develop, produce, and deploy alternative vehicles generated great concern regarding the potential for waste, duplication, and cronyism and the potential result of "picking of winners and losers" among competing companies and technologies. In addition to this unprecedented spending, the Federal government now provides a tax credit of $7,500 to purchasers of electric cars. According to GM, purchasers of the $41,000 Chevy Volt have an average income of $170,000 per year.[10] Cars made by GM competitors Tesla and Fisker are even more expensive, with base prices starting at $55,000 and $102,000, respectively. Despite the fact that this subsidy overwhelmingly benefits the wealthiest Americans, President Obama is calling on Congress to increase it to $10,000 per vehicle.

In addition to the cost-prohibitive nature of these vehicles, weak demand and reliability problems have plagued their introduction. Following reports of battery fires and faltering sales, General Motors recently suspended production of the Chevy Volt after selling only 1,626 vehicles this year.[11] A battery manufacturer for EVs, A123 Systems, cut 35 percent of its workforce last year[12] after DOE provided $249 million in Stimulus funding.[13] And *Consumer Reports* purchased a Fisker Karma for testing that it deemed "undriveable" before the standard testing check-in

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[4] Department of Energy, Loan Programs Office, "Our Projects." Accessible at: https://lpo.energy.gov/?page_id=45
[5] Advances Research Projects Agency – Energy, "BEEST: Electric Vehicle Batteries," Updated February 16, 2012. Accessible at: http://arpa-e.energy.gov/LinkClick.aspx?fileticket=6aCiNDV8jwg%3d&tabid=175
[6] Advanced Research Projects Agency – Energy, "Electrofuels: Versatile Transportation Energy Solutions," Updated February 16, 2012. Accessible at: http://arpa-e.energy.gov/LinkClick.aspx?fileticket=yZ0rVV3Yz34%3d&tabid=180
[7] Department of Energy, Detailed Budget Request Volume 4, p. 417.
[8] Department of Energy, Office of Science, "Energy Frontier Research Centers: Basic Research Needs." Accessible at: http://science.energy.gov/bes/efrc/research/basic-research-needs/
[9] P.L. 112-74
[10] Durban, Dee-Ann and Tom Krisher, Associated Press, "In Person, GM CEO Akerson wants to speed up change." The Seattle Times, December 26, 2011. Accessible at: http://seattletimes.nwsource.com/text/2017090542.html
[11] Plautz, Jason, Energy and Environment, "GM to suspend production of Chevy Volt," E&E News PM, March 2, 2012. Accessible at: http://www.eenews.net/eenewspm/2012/03/02/1
[12] Cleveland Plain Dealer, "AA123 cuts jobs at battery plant touted by White House," November 29, 2911. Accessible at: http://www.cleveland.com/business/index.ssf/2011/11/a123_cuts_jobs_at_battery_plan.html
[13] A123 Systems, "A123 Systems Awarded $249M Grant from U.S. Department of Energy to Build Advanced Battery Production Facilities in the United States," August 5, 2009. Accessible at: http://ir.a123systems.com/releasedetail.cfm?ReleaseID=403090

process was finished,[14] after which reports allege the Karma was pushed to market prematurely in order to meet DOE's loan guarantee terms.[15]

The management and effectiveness of previous EV deployment funding is also of concern. On March 22, CBS News reported the Securities and Exchange Commission (SEC) is investigating Electric Transportation Engineering Corporation, known as Ecotality, for insider trading.[16] Ecotality received $114.8 million from DOE to deploy EV charging stations. While the ramifications of insider trading are serious enough, the report also notes the company installed less than half of the EV chargers it was supposed to, an apparent major deficiency in Ecotality's execution of its DOE award. Further, Ecotality received at least $26 million from DOE long after SEC issued the company a subpoena October 2010.[17]

To provide Congress and the public a better understanding of DOE program management and execution associated with advanced vehicles, and in accordance with the Subcommittee's oversight responsibility of DOE programs involving research, development, demonstration, and commercial application of energy technologies, please answer the following questions:

1. How does DOE intend to pay for the requested $1 billion in new mandatory spending on the NCDC? Is the Administration proposing to institute a new tax to specifically fund this program? If the program is intended to be paid for out of general revenues, why is the Administration proposing the program be funded through mandatory spending instead of discretionary spending?

2. What objectives, milestones, and types of activities are expected to be supported by the NCDC, and what criteria will DOE use to select the communities to receive funding? Please provide all relevant descriptive documents associated with the proposal.

3. How will the proposed NCDC differ from prior DOE EV deployment spending, including the $400 million Transportation Electrification Initiative funded through ARRA?

4. Please detail all programs and activities within DOE that support advanced technology vehicle manufacturing research, development, demonstration, deployment, and commercialization activities, including total DOE funding (including funding recipients and award amounts) from FY09 through FY12 related to:

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[14] Mutchler, Tom, "Bad Karma: Our Fisker Karma plug-in hybrid breaks down," Consumer Reports, March 8, 2012. Accessible at: http://news.consumerreports.org/cars/2012/03/video-bad-karma-our-fisker-karma-plug-in-hybrid-breaks-down.html

[15] Fehrenbacher, Katie, "Fisker electric Karma was pushed to market before it was ready," GIGAOM, March 12, 2012. Accessible at: http://gigaom.com/cleantech/fisker-electric-karma-was-pushed-to-market-before-it-was-ready/

[16] Strickler, Laura, "Stimulus recipient under investigation for insider trading," CBS News, March 27, 2912. Accessible at: http://www.cbsnews.com/8301-31727_162-57402463-10391695/stimulus-recipient-under-investigation-for-insider-trading/

[17] Sailors, John, "Ecotality wins $26.4M DOE contract," San Francisco Business Times, October 6, 2011. Accessible at: http://www.bizjournals.com/sanfrancisco/news/2011/10/06/ecotality-wins-264m-doe-contract.html

a. Vehicle-related energy storage R&D;
b. Battery manufacturing facilities;
c. Electric vehicle infrastructure deployment;
d. Private vehicle fleet upgrades, such as the Clean Cities and Clean Fleets programs, including DOE's cost-share; and
e. Direct loans under the Advanced Technology Vehicle Manufacturing (ATVM) program (please include as part of this a summary of loan repayment status).

5. How many EVs have been sold to-date, and what is the status of and outlook for President's Obama's goal of putting one million EVs on the road by 2015?

6. How much has been provided under Section 30 of the Internal Revenue Code for electric vehicle tax credits?

7. How many EV charging stations have been purchased with DOE support?

8. Please provide DOE's current best projections regarding the future expected costs of base model electric vehicles, including how much the NCDC is expected to contribute to cost reductions and an estimate of if or when EVs will become cost-competitive with gasoline-powered vehicles without subsidy.

9. Please provide a detailed summary of the Ecotality project, including the original project plan and performance metrics, deployment milestones and an update on the status of the project with respect to those metrics and milestones. Also, provide a detailed timeline of the application and negotiation process for the original Ecotality grant and all records associated with Ecotality, as defined by the attachment, between June 1 and September 30, 2009.

10. Was DOE aware Ecotality received a subpoena from the SEC in October 2010? Why did DOE award Ecotality an additional $26 million contract nearly a year after SEC issued the company a subpoena in October 2010? Please provide a detailed summary of all additional grants to Ecotality, including original project plans and performance metrics and an update on the status of each project with respect to those metrics and milestones. Also, provide all records, as defined by the attachment, associated with Ecotality between July 1 and October 31, 2011.

Please provide answers to these questions by April 13, 2012. Should you have any further questions, please contact Andy Zach, Energy and Environment Professional Staff, at (202) 225-6371.

Sincerely,

Rep. Andy Harris
Chairman
Subcommittee on Energy and Environment
Committee on Science, Space, and Technology

Enclosure: "Records" Definition

Cc: Rep. Brad Miller
Ranking Member, Subcommittee on Energy and Environment.

ATTACHMENT

1. The term "records" is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to , the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.

2. The terms "relating," "relate," or "regarding" as to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.