Congress of the United States
Washington, DC 20515

December 22, 2009

The Honorable Steven Chu
Secretary
Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

The Honorable Peter Orszag
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Secretary and Director Orszag:

We write regarding recent challenges posed to the loan guarantee program authorized by Title XVII of the 2005 Energy Policy Act. Specifically, we refer to the credit subsidy cost associated with issuing loan guarantees and loan volume. We would appreciate clarification on these matters.

Our primary concern is the issue of credit subsidy costs, and the continuing lack of certainty about what those costs will be for nuclear projects. We recognize that the Department of Energy (DOE) calculates subsidy cost using the Credit Subsidy Calculator developed by the Office of Management and Budget (OMB), and that OMB must approve those calculations. We would appreciate an explanation of why it is taking so long to come to reasonable closure on the issue of subsidy cost. We would also appreciate an explanation of the basis for developing those subsidy costs, particularly key input assumptions to the Calculator like default probability and recovery rate. We are concerned that inappropriate assumptions may produce subsidy costs that are significantly higher than necessary to protect the taxpayer's interest, and which would preclude creditworthy projects from using the loan guarantee program.

On loan volume, we are concerned that the $18.5 billion in loan volume currently authorized for nuclear power projects will not cover the four projects with which DOE is currently negotiating, which represent approximately $38 billion in loan volume. Even assuming some level of co-financing, it does not appear that $18.5 billion will be enough to cover the four lead projects, and it is certainly not enough to support other creditworthy nuclear projects that have filed loan guarantee applications. Additionally, we are concerned that the $2 billion for front-end enrichment facilities does not meet the demonstrated need, which we believe to be $6 billion. We urge you to request sufficient additional loan volume in your Fiscal Year 2011 budget to provide a solid financing platform for the new nuclear plants our nation clearly needs.

We are also concerned by the budget scoring associated with any additional loan volume. For several years now, CBO has scored loan volume at one percent of face value. This places the loan guarantee program and the Congress in an untenable situation. If the Administration proposes additional loan volume for any eligible technology, and fails to include the one-percent score in its proposed budget, the Congress is faced with appropriating that amount and reducing expenditures on other important programs. This is an unacceptable outcome. We urge DOE and OMB to take ownership of this issue and work with the Congressional Budget Office to address it.

We believe these questions and concerns can be handled best through a staff briefing, at which the appropriate Executive Branch staff provide the clarifications and explanations requested, and afford our staff the opportunity to pose questions and test assumptions. Please contact Luke Tomanelli with Senator Crapo's office at the earliest opportunity to schedule that briefing. He can be reached at (202)224-6142.

Thank you for your prompt attention to this matter.

Sincerely,

Mike Crapo George V. Voinovich

Lamar Alexander John Barrasso

James E. Risch David Vitter

Jim Inhofe Kit Bond